

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Flint	County Genesee
Fiscal Year End 6/30/07	Opinion Date 12/27/07	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

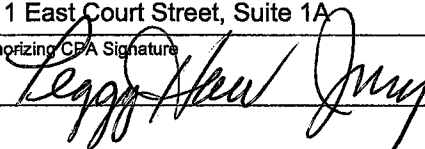
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran PLLC		Telephone Number 810-767-5350		
Street Address 111 East Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Peggy Haw Jury, CPA, CFE		License Number 1101009025

City of Flint, Michigan

Financial Statements

Fiscal Year Ended

June 30, 2007

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Flint
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flint, Michigan (City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Flint Downtown Development Authority, which represent 68 percent, 66 percent, and 50 percent, respectively, of the assets, net assets, and revenue of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Flint Downtown Development Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. The audit of the primary government was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flint, Michigan as of June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Flint's basic financial statements. The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedule, as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining balance sheets, combining statements of revenue, expenditures and changes in fund balance, and budgetary comparison schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly presented in relation to the basic financial statements taken as a whole. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2007 on our consideration of the City of Flint's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

December 27, 2007

Management's Discussion and Analysis

As management of the City of Flint, we offer readers of the City of Flint's financial statements this narrative overview and analysis of the financial activities of the City of Flint for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The City acquired Capital Assets totaling \$ 26.6 million in governmental activities.
- The assets of the City of Flint exceeded its liabilities at the close of the most recent fiscal year by \$395.3 million (net assets).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Flint's basic financial statements. The City of Flint's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Table I summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Management's Discussion and Analysis (Continued)

Table I. Major Features of the City of Flint's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system, and the hospital	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees
Required financial statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Flint's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Flint's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Flint is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Flint that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Flint include general government, police, fire, transportation, public works, parks & recreation and community enrichment and development. The business-type activities of the City of Flint include the hospital, water system, sewer system, and the golf courses.

The government-wide financial statements include not only the City of Flint itself (known as the primary government), but also a legally separate Downtown Development Authority, Economic Development Corporation, Atwood Stadium Building Authority, and the Flint Area Enterprise Community, for which the City of Flint is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 4-11 of this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Flint, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Flint can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Flint maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Flint adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Proprietary Funds - The City of Flint maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Flint uses enterprise funds to account for its Hospital, Water, Sewer and Golf Course activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Flint's funds. The City of Flint uses internal service funds to account for its Data Processing, Central Maintenance Garage, Fringe Benefits, and Self-Insurance activities. Because these services predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Hospital, the Water and the Sewer Funds, all of which are considered to be major funds of the City of Flint. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 17-26 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Flint's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 27 and 28 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-83 of this report.

Management's Discussion and Analysis (Continued)

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Flint's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 84-87 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 88-127 of this report.

Government-wide Financial Analysis

Net assets may serve, over time, as a useful indicator of a government's financial position (See Table 2). Total assets of the City of Flint are \$661.3 million. Total net assets (total assets less total liabilities) are \$395.3 of which the largest portion \$264 million (66.8%), reflects its investment in capital assets (e.g., land, buildings, streets, sidewalks, machinery, and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Flint uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Flint's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the City of Flint's total net assets \$131.3 million (33.2%) represents resources of which \$29.5 million are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$101.8 million (25.8%), may be used to meet the government's ongoing obligations to citizens and creditors. Net assets are divided between governmental activities and business-type activities. Governmental activities show a \$10.1 million deficit in unrestricted net assets. The \$10.1 million deficit results from the conversion of current assets; \$12.5 million in cash and \$3.7 million in receivables and other current assets from the prior year to acquire capital assets and fund increases in public safety operating costs.

**Table 2. City of Flint's Net Assets
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current and other assets	\$ 47.6	\$ 53.8	\$ 251.9	\$ 240.3	\$ 299.5	\$ 294.1
Capital assets	143.3	158.6	204.4	199.8	347.7	358.4
Total assets	<u>190.9</u>	<u>212.4</u>	<u>456.3</u>	<u>440.1</u>	<u>647.2</u>	<u>652.5</u>
Long-term liabilities outstanding	22.8	19.9	111.3	97.6	134.1	117.5
Other liabilities	13.0	30.0	96.0	109.7	109.0	139.7
Total liabilities	<u>35.8</u>	<u>49.9</u>	<u>207.3</u>	<u>207.3</u>	<u>243.1</u>	<u>257.2</u>
Net assets:						
Invested in capital assets, net of related debt	131.6	152.1	108.5	111.8	240.1	263.9
Restricted	23.1	20.5	8.8	9.0	31.9	29.5
Unrestricted	0.4	(10.1)	131.6	112.0	132.0	101.9
Total net assets	<u>\$ 155.1</u>	<u>\$ 162.5</u>	<u>\$ 248.9</u>	<u>\$ 232.8</u>	<u>\$ 404.0</u>	<u>\$ 395.3</u>

Management's Discussion and Analysis (Continued)

Business-type activities have \$112 million of total net assets. Business type activities do not encumber at year-end and normally not appropriate net assets as part of the budget process.

Governmental Activities - Changes in Net Assets (Table 3) provide some insight into current year activities as compared to those of the prior year. Total net assets for governmental activities increased by \$7.4 million. Program revenues amount to 56.6% of governmental activities in 2007 as compared to 42.7% in 2006. Increases in revenues and expenses offset each other and are primarily due to \$13.5 million MDOT funded road projects and \$15.7 million transfer from the Sewer Fund to the Self Insurance Fund for potential claims. The \$14 million increase in total liabilities is due to the recognition of the damage claims in the Self-Insurance Fund. The \$10.1 deficit in unrestricted net assets reflects the cost (use of current assets) for the \$26.6 million in capital improvements.

Business-type Activities - Total assets decreased by \$7.4 million and total liabilities increased by \$8.8 million in business-type activities primarily due to the Sewer Fund transfer of \$15.7 million to the self-insurance fund for potential damage claims. The Hurley Medical Center has a \$17.5 million net pension obligation to the City Pension Fund (see Note 4 B).

Table 3. City of Flint's Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Revenues						
Program revenues						
Charges for services	\$ 20.7	\$ 38.0	\$ 381.3	\$ 399.9	\$ 402.0	\$ 437.9
Operating grants and contributions	21.7	20.3	0.5	0.6	22.2	20.9
Capital grants and contributions	4.5	18.0	0.6	0.1	5.1	18.1
General revenues						
Income taxes	19.7	18.6	-	-	19.7	18.6
Property taxes	25.5	24.9	-	-	25.5	24.9
State shared revenues	19.5	19.0	-	-	19.5	19.0
Other	4.3	3.6	4.0	6.2	8.3	9.8
Total revenues	115.9	142.4	386.4	406.8	502.3	549.2
Expenses						
Legislative	1.3	1.1	-	-	1.3	1.1
Judicial	5.3	5.8	-	-	5.3	5.8
General government	19.4	21.3	-	-	19.4	21.3
Public safety	49.7	53.6	-	-	49.7	53.6
Public works	19.6	40.3	-	-	19.6	40.3
Parks and Recreation	4.5	5.6	-	-	4.5	5.6
Community development	9.7	6.5	-	-	9.7	6.5
Interest on long term debt	0.4	0.8	-	-	0.4	0.8
Hospital	-	-	343.7	353.6	343.7	353.6
Water	-	-	30.2	31.6	30.2	31.6
Sewer	-	-	20.7	35.8	20.7	35.8
Golf Course	-	-	1.4	1.9	1.4	1.9
Parking facilities	-	-	-	-	-	-
Total Expenses	109.9	135.0	396.0	422.9	505.9	557.9
Changes in net Assets	6.0	7.4	(9.6)	(16.1)	(3.6)	(8.7)
Net assets - beginning	149.1	155.1	258.5	\$ 248.9	407.6	404.0
Net assets - end	\$ 155.1	\$ 162.5	\$ 248.9	\$ 232.8	\$ 404.0	\$ 395.3

Analysis of Fund Financial Statements

As noted earlier, the City of Flint uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Flint's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Flint's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2007 fiscal year, the City of Flint's governmental funds reported combined ending fund balances of \$25.2 million, a decrease of \$5.6 million from the prior year. Approximately \$7.4 million constitutes unreserved fund balance, which is available for spending.

The general fund is the chief operating fund of the City of Flint. The \$6.4 million fund balance in the general fund is 9.2% of 2007 total revenues. The general fund has \$1.6 million in pooled cash and investments. The unreserved and undesignated portion of the General Fund is \$1.2 million. The decline of the General Fund cash and fund balance from the prior year is due to the large amount of capital improvement activity in 2007 and the cost of settling all labor contracts. The City settled all union contracts by June 30, 2007 except for the Fire Union contract, which was settled October 2007. All union contracts affected expenditures in fiscal year 2007 including retroactive provisions in the Fire contract. For the most part, the budget had anticipated the over-all increases in labor costs the exception being the increases for the Fire Union contracts. However, the City had planned substantial capital improvements of which some of the cost was paid for with fund balance. The amended budget included a \$3.4 appropriation of fund balance of which \$2.5 million was actually used.

The remaining governmental funds have a fund balance of \$18.8 million, of which \$6.2 million is unreserved and undesignated. The largest fund balances among the governmental funds are the Major and Local Streets, \$10.9 million, Federal Grants, \$.8 million, and Capital Improvements, \$5.2 million. Other special revenue funds are maintained primarily to demonstrate accountability. Federal or local laws restrict the spending of the money in these funds.

Proprietary Funds - The City of Flint's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the Hurley Medical Center amounted to \$79.9 million, a slight decrease of \$1.7 million. The decrease is primarily a result of an operating loss. Hurley has labor agreements with all 9 of its bargaining units. The Hurley Medical Center did not issue any bonds in 2007.

Total net assets in the Water Fund are \$37.9 million, an increase of \$2.2 million from the previous year attributable mostly to operating income. The Water Fund has a bond reserve account of \$2.8 million and an equipment reserve account of \$2.1 million. Water operating revenues increased by \$1.0 million while cost of water purchased increased by \$1.4 million. Water operating revenues, plus interest income, exceeded total operating costs, less depreciation, by \$5.1 million. The combined interest and principal payments was \$2.8 million, providing a legal debt margin well above the required 125%.

Net assets of the Sewer Fund decreased by \$15.8 million to \$111.7 million, due to a transfer of \$15.7 million to the self-insurance fund. Sewer operating revenues decreased slightly; however, sewer-operating costs (less the \$15.7 million transfer) remained about the same.

Budgetary Highlights

Original to Amended - The general fund amended expenditures budget of \$74.1 million was \$2.5 million (3.4%) greater than the original budget, which reflected the increase in wages. The amended budget anticipated an additional \$0.7 million in Federal Revenue, and the use of \$3.4 million in fund balance. Overall, the 2007 budget was similar to the 2006 budget except for a \$4.9 million increase in Public Safety.

Amended to Actual - General Fund expenditures totaled \$70.9 million, \$3.2 million below the final amended budget. General Fund revenues of \$69.2 million were \$2.3 million below the amended budget. The largest difference between budget and actual expenditures is the \$0.8 over budget amount in the Fire Department, which was a result of a retroactive settlement agreement as part of the new fire contract. Most union contracts were settled in 2007 except for the fire contract. Lower than expected Property Taxes (\$0.6 million) and Income Taxes (\$0.9) million and State Shared Revenue (\$0.8 million) accounted for the total revenues coming in \$2.3 million under budget.

Capital Assets and Debt Administration

Capital Assets - The City of Flint's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$358.5 million (net of accumulated depreciation), a net increase of \$10.8 million. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges (see Table 4). Additional information on the City of Flint's capital assets can be found in Note 3 D.

**Table 4. City of Flint's Capital Assets - net of depreciation
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Land	\$ 13.4	\$ 13.4	\$ 5.5	\$ 5.5	\$ 18.9	\$ 18.9
Construction in progress	-	-	22.6	25.1	22.6	25.1
Buildings and System Improvements other than buildings	6.3	6.0	55.5	54.1	61.8	60.1
Machinery and Equipment	5.1	5.9	7.3	6.8	12.4	12.7
Infrastructure	11.2	12.5	113.5	108.4	124.7	120.9
	<u>107.3</u>	<u>120.8</u>	<u>-</u>	<u>-</u>	<u>107.3</u>	<u>120.8</u>
Total	<u>\$ 143.3</u>	<u>\$ 158.6</u>	<u>\$ 204.4</u>	<u>\$ 199.9</u>	<u>\$ 347.7</u>	<u>\$ 358.5</u>

The City governmental activities made major capital improvements during 2007:

- Bridges \$ 6.7 million
- Streets \$18.3 million
- Sidewalks/Curbs \$ 0.5 million
- Land Improvements \$ 1.6 million
- Vehicles & Equipment \$ 4.2 million

City of Flint

Management's Discussion and Analysis (Continued)

Total capital improvements, as a result of governmental activities, were \$31.2 million. Depreciation was \$15.9 million.

The City business-type activities also made capital improvements during 2007:

- Building Improvements \$ 5.0 million
- Equipment \$ 7.9 million
- Vehicles \$ 1.4 million

Total capital improvements as a result of business type activities were \$14.3 million with most of the improvements being made at Hurley Hospital. Depreciation was \$18.9 million.

Debt Administration - Debt is administered through three debt service funds and the public improvement fund. In addition, the Water Fund services debt for bonds issued for plant improvements (see Table 5).

Revenue Bonds - The City did not issue any bonds during 2007. However, the City did issue \$10 million in Revenue Sharing Bonds in fiscal year 2008 for construction of a new parking deck and repairs to the existing parking deck.

Long-term Debt - At year-end the City had \$12.3 million in bonds and notes outstanding for governmental activities and \$104.0 million in bonds and notes outstanding for business-type activities. Total long-term debt decreased by \$8.5 million to \$125.6 million at year-end. Additional information on the City of Flint's long-term debt can be found in Note 3 G.

**Table 5. City of Flint's Long-term Debt
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
General Obligation Bonds	\$ 6.8	\$ 5.5	\$ 1.7	\$ 0.4	\$ 8.5	\$ 5.9
Revenue Bonds and Notes	-	-	105.9	101.8	105.9	101.8
Other Notes	7.1	6.8	0.3	0.3	7.4	7.1
Capital Leases	-	-	3.5	1.5	3.5	1.5
Accrued Annual & Sick Pay	8.8	9.3	-	-	8.8	9.3
Total	<u>\$ 22.7</u>	<u>\$ 21.6</u>	<u>\$ 111.4</u>	<u>\$ 104.0</u>	<u>\$ 134.1</u>	<u>\$ 125.6</u>

Limitations on Debt - The State limits the amount of general obligation debt the City can issue to 7% of the assessed value of all taxable property within the City's corporate limits. The City's legal debt limit is \$145.0 million. The amount of debt available to the City (unused portion of the debt limitation) is \$138.0 million. The City can issue bonds through the Michigan Municipal Bonding Authority's state shared revenue program. The program pledges the City's future state shared revenues.

Bond Ratings - Moody's Investors' Service last rated the City of Flint's general obligation unlimited bonds at Ba1 with a stable outlook in February 2006.

Economic Factors and Next Year's Budget and Rates

Economic Factors - With the completion and startup in 2012 of the recently announced General Motors engine plant, to be built in the former Buick City complex (replacing the present engine plant to be shutdown in 2008), this development provides a reasonable basis to speculate that Flint will probably continue to account for a significant portion of the power plants supplied for the several lines of motor vehicles assembled at GM's North American assembly plant network. 11.6% were built in Flint in the 2006 model year.

The Land Bank, operated by Genesee County, has increased property values by more than \$112 million. Grants and loans are being directed towards community work and developments, using layers of private investment loans, grants, and state tax credits.

The role that Flint's business leadership identified, at the start of the current decade, for Flint to become a major shipping and distribution destination, or intermodal hub, is also taking shape. Bishop Airport was operating at the maximum level of their shipping and receiving capacity during 2006, with most of the traffic generated by the on-site activities of the airport's FedEx facility. Steady growth over the last decade resulted in enplanement of 14.2 million pounds of cargo and 18.5 million pounds of deplaned cargo. Taking the initial steps toward making intermodal a cornerstone of the Flint economy, the airport has raised about \$30 million to pay for the first phase including: 1) a \$6 million ramp renovation; 2) \$2 million for a new entry drive into the intermodal area east of the main terminal and new speed-up/slow-down lanes on Bristol Road and intersectional traffic signals into the main terminal and intermodal center; and 3) a high-tech building with one side dedicated to truck cargo loading and unloading and the other side for plane cargo drop-off and pick-up.

Efforts to ready Flint for the future, namely, strengthening our technology base, have had positive results. The Mott College Regional Technology Center trains students to develop high tech skills that should help to retain businesses and perk up the economy. However, the current state of the automotive industry has dampened business activity in the Flint area, as well as statewide. Despite the fact that the sluggishness of the economy has suppressed the need for the services of the Regional Technology Center, it is worthy to note the Center had an enrollment of nearly 4,600 students enrolled in credit classes and about 1,200 in non-credit classes in 2007's fall semester.

The City's other major technology building block, Kettering University, offers a very fertile setting for innovation and entrepreneurship. The University is planning to set up a one-stop shopping center for entrepreneurs in Spring 2008 by constructing an incubator, building housing offices and laboratories for start-up companies.

In the City of Flint, factory operations still account for the largest share of the business receipts flowing into the City's private business sector. The principal source of revenue remains the Van Slyke Road Truck Assembly Plant, the only source of the heavy-duty four-door models of General Motors' highest volume vehicle, the standard size Chevrolet Silverado pick-up truck and the GMC Sierra. The Flint truck assembly plant is also the sole source for the Chevrolet Kodiak and GMC Topkick, GM's primary domestic product offering in the market for medium-duty trucks. Vehicle production reports issued by General Motors show 194,800 trucks were built during the City's July, 2006 to July, 2007 fiscal year, down from 214,500 units assembled during the 2005-06 fiscal year. Production declines of all models was a result of the surge in gasoline prices, the credit crunch and lower levels of business activity in the construction industry and other business select sectors.

Flint's engine plants built about 488,000 engines during the 2006 model year, 14.4% of all engines required by GM's North American vehicle assembly operations during that model year. In Flint, the Flint Pressed Metals Plant, GM's third highest volume stamping facility, fabricated 11.6%, or 40.2 million of all the major metal stampings needed in the body and chassis of the domestic models of cars and trucks assembled during the 2006 model production run. Overall manufacturing activity in the Flint area, as tracked by the City of Flint's Factory Activity Index, fell to a level of 63.3 in the 2006-07 fiscal year (fiscal 1999-2000=100), down from 77.5 in 2005-06 and 88.3 in 2004-05. The Index is based on the level of factory operations in 2001, which is assigned a value of 100. A reading of 63.3 on the Index means that activity is 36.7% below the 1999-2000 level.

One of the indicators of the status of the City's household sector is participation of their membership in the labor force. About 85.5% of City residents were in the labor force at the close of 2006, down slightly from about 86.2% in 2005. The remaining 14.5% of the labor force during 2006 was unemployed. By comparison, unemployment in the Flint metropolitan area (comprising Genesee County) averaged 8.3% in 2006.

Another measure of the household sector is its buying power. Household buying power is estimated to have amounted to \$2.30 billion in calendar year 2007 in the ZIP codes (48501 to 48507) that most closely comprise Flint's municipal boundaries. That compares with \$2.29 billion in 2006. That buying power, plus the purchasing power of Flint's suburban households, is estimated to have resulted in retail expenditures of \$2.43 billion in those ZIP codes during calendar year 2007, down from \$2.49 billion in 2006.

Private sector investment in the City's industrial and commercial real property sectors had an estimated true cash value of \$1.024 billion at the close of the fiscal year 2006-07, up from \$1.014 billion one year earlier, according to data calculated by the City's Assessor's Office. Investment in residential real property had an estimated true cash value of \$2.09 billion at the close of 2006-07, up from \$1.99 billion at the close of the prior fiscal year.

Construction activity in Flint dropped to work value at \$26.7 million in the 1,412 building permits issued by the City's Building Inspection Department during fiscal 2006-07, down from the \$82.6 million worth of work authorized in the 1,593 permits issued in 2005-06. Residential real estate activity in Flint, as tabulated by the City's Assessor's Office, also weakened. During fiscal year 2007, sales of existing homes in the City dropped 35% to 1,156 units from 1,765 in fiscal year 2006. The average selling price also declined to \$61,870 from \$66,364.

Budgets - The legality of whether or not the budget for fiscal year 2008 was properly adopted was disputed by City Council. An attorney employed by the City Council determined that the City did adopt a legal budget but identified issues with some of the budget amendments that have not yet been resolved to the satisfaction of City Council. The 2008 amended General Fund budget includes an appropriation of \$3.9 million from fund balance leaving a projected fund balance of \$2.5 million at June 30, 2008. Of the \$6.4 million fund balance, \$3.8 million is reserved for contracts issued but not completed at year-end, \$1.2 million is designated for the City Jail, and \$1.2 million is available from fund balance for future appropriation in the General Fund. The City faces a number of issues that will impact the 2008 budget. State wide, reductions in State Shared Revenue and the combined effect of laws that place limitations on millage rates and taxable values, keep revenue collections well below the rate of inflation. The City of Flint also faces loss of City Income Tax Revenue from layoffs at the Flint Delphi facility, and the increase in payroll expenditure with the settlement of the police and fire union contracts.

Rates - Although a City ordinance specifies a method to be used to set water rates, the resolution approved by City Council when authorizing the sale of Drinking Water Revolving Fund bonds establishes the current method of fixing and revising water rates. Per the resolution, the rates are set to provide for the payment of the expenses of the administration and operation of the water system so as to maintain the system in good repair. The rates must also be sufficient to pay an amount equal to 125% of the principal and interest on the bonds as well as any other obligations required by law.

The City has set rates each year to meet the requirements of the resolution. However, in order to reduce the impact of the annual water rate increase, the sewer rates have been reduced so that the total water and sewer bill has remained about the same over the last few years. However the City of Detroit has announced a 15.2% increase in water rates for 2008 and the Sewer Fund was required to transfer \$15.7 million to the Self Insurance Fund to fund the possibility of judgments and or settlements on a number of lawsuits, the City of Flint will adjust water and sewer rates in 2008. The City Water Department has successfully processed water from the Flint River system. The City in conjunction with the Michigan Department of Natural Resources continues to test the new water plant. The water plant currently has the ability to produce 36 million gallons of water per month, and has storage capacity of another 56 million gallons. The water plant is capable of supplying all of the City Of Flint water demands at a cost that is substantially lower then the cost of purchasing water from the City of Detroit.

Requests for Information

This financial report is designed to provide a general overview of the City of Flint's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Flint, 1101 South Saginaw Street, Flint, Michigan 48502.

Basic Financial Statements

Government-wide Financial Statements

City of Flint, Michigan

Statement of Net Assets June 30, 2007

	Primary Government	
	Governmental Activities	Business-Type Activities
Assets		
Pooled cash and investments	\$ 20,631,278	\$ 43,263,413
Cash and equivalents	3,093,811	14,091,738
Cash with agent	-	-
Investments	-	-
Receivables (Net, where applicable, of allowances for estimated uncollectible accounts of \$25,619,006)		
Taxes	3,175,123	-
Accounts	1,956,307	77,677,649
Notes and leases receivable	6,175,629	-
Due from component units	767,837	14,764
Due from primary government	-	-
Due from other governments	7,907,831	-
Internal balances	7,224,226	(7,224,226)
Inventories	291,543	5,059,683
Real estate held for resale - seized property	-	-
Prepaid items	351,823	12,124,724
Restricted assets:		
Pooled cash and investments	2,226,667	5,001,612
Cash and equivalents	-	20,797,302
Investments	-	66,400,452
Accrued interest receivable	-	381,789
Capital assets (not depreciated)	13,449,987	30,632,146
Capital assets (net of accumulated depreciation)	145,126,158	169,224,592
Other assets	-	3,466,724
Investment in joint ventures	-	7,997,936
Total assets	212,378,220	448,910,298

The notes to financial statements are an integral part of this statement.

<u>Total</u>	<u>Component Units</u>
\$ 63,894,691	\$ -
17,185,549	1,196,176
-	65,119
-	-
3,175,123	-
79,633,956	62,775
6,175,629	1,984,358
782,601	-
-	-
7,907,831	-
-	-
5,351,226	-
-	103,100
12,476,547	3,400
7,228,279	-
20,797,302	530,473
66,400,452	-
381,789	-
44,082,133	5,592,372
314,350,750	843,999
3,466,724	-
7,997,936	-
<u>661,288,518</u>	<u>10,381,772</u>

(continued)

City of Flint, Michigan

Statement of Net Assets (Continued) June 30, 2007

	Primary Government	
	Governmental Activities	Business-Type Activities
Liabilities		
Accounts payable	4,448,068	19,039,023
Accrued liabilities	3,188,825	74,725,785
Deposits and advances	715,700	845,115
Due to other governments	142,445	-
Due to primary government	-	-
Due to component unit	-	-
Unearned revenue	1,125,370	-
Net pension obligation	-	17,547,852
Noncurrent liabilities:		
Due within one year:		
Debt payable	10,583,032	6,355,788
Claims payable	9,300,000	-
Due in more than one year:		
Debt payable	10,976,667	97,615,209
Claims payable	9,400,000	-
Total liabilities	49,880,107	216,128,772
Net Assets		
Invested in capital assets, net of related debt	152,133,527	111,838,676
Restricted for:		
Streets	10,995,403	-
Public Improvement	5,782,416	-
Police	787,024	-
Parks and Recreation	624,450	-
Debt Service	-	2,809,860
Economic Development	1,087,018	-
Community Development	816,745	-
Capital Improvements	-	2,191,751
Other	340,431	3,985,169
Unrestricted (deficit)	(10,068,901)	111,956,070
Total net assets	\$ 162,498,113	\$ 232,781,526

The notes to financial statements are an integral part of this statement.

<u>Total</u>	<u>Component Units</u>
23,487,091	43,520
77,914,610	21,365
1,560,815	21,540
142,445	-
-	782,601
-	-
1,125,370	6,977
17,547,852	-
16,938,820	-
9,300,000	-
108,591,876	106,519
9,400,000	-
<u>266,008,879</u>	<u>982,522</u>
263,972,203	6,436,371
10,995,403	-
5,782,416	-
787,024	-
624,450	-
2,809,860	-
1,087,018	-
816,745	2,652,829
2,191,751	10,570
4,325,600	-
101,887,169	299,480
<u>\$ 395,279,639</u>	<u>\$ 9,399,250</u>

City of Flint, Michigan

Statement of Activities Year Ended June 30, 2007

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Legislative	\$ 1,104,504	\$ 23,392	\$ -
Judicial	5,838,951	2,470,636	232,683
General government	21,341,161	13,708,341	256,986
Police	31,638,716	2,079,371	857,411
Fire	15,132,811	304,995	-
Emergency dispatch	3,062,255	1,671,514	-
Building inspection	3,672,350	1,483,269	1,502,934
Transportation	19,833,216	9,158	10,475,535
Public works	20,472,628	15,706,544	50,000
Parks and recreation	5,596,244	40,679	316,810
Community enrichment and development	6,467,573	499,645	6,648,750
Interest on long-term debt	824,536	-	-
Total governmental activities	134,984,945	37,997,544	20,341,109
Business-type Activities:			
Hospital	353,617,715	347,856,879	605,368
Water	31,646,118	33,172,084	-
Sewer	35,796,882	17,918,595	-
Golf courses	1,861,847	901,056	-
Total business-type activities	422,922,562	399,848,614	605,368
Total primary government	<u>\$ 557,907,507</u>	<u>\$ 437,846,158</u>	<u>\$ 20,946,477</u>
Component Units			
Downtown Development Authority	\$ 1,201,194	\$ 780,735	\$ -
Atwood Stadium Building Authority	-	-	-
Flint Area Enterprise Community	821,542	103,977	493,423
Economic Development Authority	277,179	110,604	91,372
Total component units	<u>\$ 2,299,915</u>	<u>\$ 995,316</u>	<u>\$ 584,795</u>

The notes to financial statements are an integral part of this statement.

Program Revenues	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Units
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (1,081,112)	\$ -	\$ (1,081,112)	\$ -
-	(3,135,632)	-	(3,135,632)	-
15,150	(7,360,684)	-	(7,360,684)	-
136,907	(28,565,027)	-	(28,565,027)	-
343,475	(14,484,341)	-	(14,484,341)	-
-	(1,390,741)	-	(1,390,741)	-
-	(686,147)	-	(686,147)	-
17,463,285	8,114,762	-	8,114,762	-
-	(4,716,084)	-	(4,716,084)	-
104,968	(5,133,787)	-	(5,133,787)	-
-	680,822	-	680,822	-
-	(824,536)	-	(824,536)	-
18,063,785	(58,582,507)	-	(58,582,507)	-
-	-	(5,155,468)	(5,155,468)	-
138,238	-	1,664,204	1,664,204	-
-	-	(17,878,287)	(17,878,287)	-
-	-	(960,791)	(960,791)	-
138,238	-	(22,330,342)	(22,330,342)	-
\$ 18,202,023	(58,582,507)	(22,330,342)	(80,912,849)	-
\$ -	-	-	-	(420,459)
-	-	-	-	-
-	-	-	-	(224,142)
-	-	-	-	(75,203)
\$ -	-	-	-	(719,804)

(continued)

City of Flint, Michigan

Statement of Activities (continued) Year Ended June 30, 2007

Program Revenues		
<hr/>		
Expenses	Charges for Services	Operating Grants and Contributions
<hr/>		
General Revenues:		
Income taxes		
Property taxes		
State shared revenues		
Franchise taxes		
Unrestricted investment earnings		
Unrestricted contributions		
Joint venture loss		
Gain on sale of capital assets		
Miscellaneous revenue		
Total general revenues		
Change in Net Assets		
Net Assets - Beginning		
Net Assets - Ending		

The notes to financial statements are an integral part of this statement.

Program Revenues	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			Component Units
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
	18,603,312	-	18,603,312	-
	24,905,192	-	24,905,192	54,040
	18,959,082	-	18,959,082	-
	1,036,958	-	1,036,958	-
	2,502,919	7,011,989	9,514,908	119,062
	-	-	-	193,289
	-	(965,390)	(965,390)	-
	39,425	-	39,425	-
	-	129,943	129,943	89,990
	66,046,888	6,176,542	72,223,430	456,381
	7,464,381	(16,153,800)	(8,689,419)	(263,423)
	155,033,732	248,935,326	403,969,058	9,662,673
	\$ 162,498,113	\$ 232,781,526	\$ 395,279,639	\$ 9,399,250

Fund Financial Statements

City of Flint, Michigan

Balance Sheet Governmental Funds June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Pooled cash and investments	\$ 719,525	\$ 15,432,362	\$ 16,151,887
Cash and cash equivalents	879,611	2,022,495	2,902,106
Receivable (net of allowance for estimated uncollectible accounts of \$8,254,885)			
Property taxes receivable	1,775,599	1,332,623	3,108,222
Special assessment receivable	66,901	-	66,901
Notes and leases receivable	-	5,395,629	5,395,629
Other receivables	1,806,902	121,506	1,928,408
Due from other governments	4,117,555	3,790,276	7,907,831
Due from component units	-	767,837	767,837
Inventories	-	87,152	87,152
Restricted pooled cash and investments	-	2,226,667	2,226,667
Total assets	\$ 9,366,093	\$ 31,176,547	\$ 40,542,640

The notes to financial statements are an integral part of this statement.

City of Flint, Michigan

Balance Sheet

Governmental Funds (continued)

June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,134,866	\$ 2,536,662	\$ 3,671,528
Retainage payable	-	69,616	69,616
Accrued liabilities	829,362	-	829,362
Due to other funds	-	1,977,579	1,977,579
Due to other governments	114,870	27,575	142,445
Deposits payable	-	715,700	715,700
Deferred revenue	935,301	6,964,297	7,899,598
Total liabilities	3,014,399	12,291,429	15,305,828
Fund Balances			
Reserved for encumbrances	68,624	2,173,874	2,242,498
Reserved for long-term lease receivable	-	1,336,000	1,336,000
Reserved for inventory	-	87,152	87,152
Reserved for Saginaw street repairs	-	1,590,319	1,590,319
Unreserved, designated for:			
Designated for City jail	1,235,672	-	1,235,672
Subsequent years' expenditures:			
General fund	3,817,088	-	3,817,088
Special revenue funds	-	4,416,949	4,416,949
Capital project funds	-	3,102,507	3,102,507
Unreserved and undesignated, reported in:			
General fund	1,230,310	-	1,230,310
Special revenue funds	-	5,358,369	5,358,369
Debt service funds	-	7,067	7,067
Capital project funds	-	812,881	812,881
Total fund balances	6,351,694	18,885,118	25,236,812
Total liabilities and fund balances	\$ 9,366,093	\$ 31,176,547	\$ 40,542,640

The notes to financial statements are an integral part of this statement.

City of Flint, Michigan

Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2007

Fund balances reported in the governmental funds	\$ 25,236,812
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	149,765,412
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	6,774,227
Internal service funds are included as part of governmental activities	2,281,361
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(12,266,354)
Employee compensated absences are payable over a long period of years, and do not represent a claim on current resources: therefore, they are not reported as fund liabilities	(9,293,345)
Net assets of governmental activities	<u><u>\$ 162,498,113</u></u>

The notes to financial statements are an integral part of this statement.

City of Flint, Michigan

Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds Year Ended June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 12,841,993	\$ 13,072,504	\$ 25,914,497
Income taxes	18,717,312	-	18,717,312
Special assessments	54,225	-	54,225
Federal revenue	1,973,490	7,840,401	9,813,891
State revenue	19,409,799	10,076,853	29,486,652
Licenses and permits	1,149,319	1,033,416	2,182,735
Fines and forfeits	3,135,879	381,993	3,517,872
Charges for services	9,682,953	425,507	10,108,460
Local grants	463,969	169,942	633,911
Interest	949,325	1,320,846	2,270,171
Other	833,749	942,487	1,776,236
Total revenue	69,212,013	35,263,949	104,475,962
Expenditures			
Current:			
Legislative	1,100,228	-	1,100,228
Judicial	5,834,563	-	5,834,563
General government	12,106,465	361,953	12,468,418
Public safety:			
Police	27,165,210	4,338,070	31,503,280
Emergency dispatch	2,853,768	136,907	2,990,675
Fire	14,730,348	53,268	14,783,616
Building inspection	-	3,943,583	3,943,583
Public works:			
Transportation	2,107,740	14,699,611	16,807,351
Public works	-	4,995,221	4,995,221
Parks and recreation	3,425,428	1,832,338	5,257,766
Community development	1,584,992	6,002,165	7,587,157
Debt Service:			
Principal retirement	-	1,639,228	1,639,228
Interest and fiscal charges	-	586,217	586,217
Total expenditures	70,908,742	38,588,561	109,497,303
Excess of revenue under expenditures	(1,696,729)	(3,324,612)	(5,021,341)
Other financing sources (uses):			
Proceeds from sale of capital assets	39,425	-	39,425
Transfers in	-	1,306,256	1,306,256
Transfers out	(906,256)	(950,124)	(1,856,380)
Total other financing sources	(866,831)	356,132	(510,699)
Net Change in Fund Balances	(2,563,560)	(2,968,480)	(5,532,040)
Fund Balances - Beginning of year	8,915,254	21,853,598	30,768,852
Fund Balances - End of year	\$ 6,351,694	\$ 18,885,118	\$ 25,236,812

The notes to financial statements are an integral part of this statement.

City of Flint, Michigan

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (5,532,040)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; however in the statement of activities these costs are allocated over their estimated useful lives and as depreciation :

Capital outlay	27,659,864
Depreciation expense	(14,090,974)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,639,226

Increases in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment (461,965)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end (1,174,863)

Internal service funds are also included as governmental activities (574,867)

Changes in net assets of governmental activities \$ 7,464,381

The notes to financial statements are an integral part of this statement.

City of Flint, Michigan

Statement of Net Assets

Proprietary Funds

June 30, 2007

	Enterprise Funds	
	Hurley Medical Center	Water Supply Division
Assets		
Current assets:		
Pooled cash and investments	\$ -	\$ 7,774,802
Cash and cash equivalents	12,785,780	1,302,934
Receivables:		
Customer receivables (net of uncollectible allowance of \$17,364,121)	65,112,290	7,647,649
Due from other funds	-	-
Inventories	3,654,787	522,892
Prepaid items	12,124,724	-
Advances to other funds - current portion	-	-
Note receivable - current portion	-	-
Due from component unit	-	-
Total current assets	93,677,581	17,248,277
Noncurrent assets:		
Restricted assets:		
Pooled cash and investments	-	5,001,612
Cash and equivalents	20,797,302	-
Investments	66,400,452	-
Accrued interest receivable	381,789	-
Advances to other funds - long term portion	-	-
Note receivable - long term portion	-	-
Capital assets - not depreciated	6,459,755	22,054,564
Capital assets - net of accumulated depreciation	54,448,941	34,453,626
Investment in joint ventures	7,997,936	-
Other	3,140,986	-
Total noncurrent assets	159,627,161	61,509,802
Total assets	253,304,742	78,758,079

The notes to financial statements are an integral part of this statement.

Enterprise Funds			
Sewage Disposal Division	Nonmajor Enterprise Fund Golf Course	Total Enterprise Funds	Internal Service Funds
\$ 35,488,611	\$ -	\$ 43,263,413	\$ 4,479,391
-	3,024	14,091,738	191,705
4,605,067	74	77,365,080	27,899
3,677,507	-	3,677,507	15,700,000
866,427	15,577	5,059,683	204,391
-	-	12,124,724	351,823
1,153,378	-	1,153,378	-
-	-	-	130,000
14,764	-	14,764	-
45,805,754	18,675	156,750,287	21,085,209
-	-	5,001,612	-
-	-	20,797,302	-
-	-	66,400,452	-
-	-	381,789	-
4,940,753	-	4,940,753	-
-	-	-	650,000
1,247,622	870,205	30,632,146	-
76,913,051	3,408,974	169,224,592	8,810,733
-	-	7,997,936	-
325,738	-	3,466,724	-
83,427,164	4,279,179	308,843,306	9,460,733
129,232,918	4,297,854	465,593,593	30,545,942

(continued)

City of Flint, Michigan

Statement of Net Assets (Continued)

Proprietary Funds

June 30, 2007

	Enterprise Funds	
	Hurley Medical Center	Water Supply Division
Liabilities and Net Assets		
Liabilities		
Current liabilities (payable from current assets):		
Accounts payable	14,738,227	3,653,081
Accrued liabilities	26,200,981	356,855
Deposits and advances	-	845,115
Retainage payable	-	209,566
Due to other funds	-	-
Net pension obligation	17,547,852	-
Advances from other funds - current portion	-	-
Capital lease obligation - current portion	1,305,878	79,037
Note payable - current portion	-	4,477
General obligation bonds - current portion	-	-
Revenue bonds - current portion	2,795,000	1,905,000
Total current liabilities	62,587,938	7,053,131
Noncurrent liabilities:		
Accrued expenses - long term	47,371,405	-
Claims payable	-	-
Advances from other funds - long term portion	-	-
Capital lease obligation - long term portion	75,260	-
Note payable - long term portion	-	12,292
General obligation bonds - long term portion	-	-
Revenue bonds - long term portion	63,335,000	33,759,432
Total noncurrent liabilities	110,781,665	33,771,724
Total liabilities	173,369,603	40,824,855
Net Assets		
Invested in capital assets, net of related debt	9,920,059	20,747,952
Restricted for debt service	-	2,809,860
Restricted for capital replacement	-	2,191,751
Restricted for donor restrictions and other	3,985,169	-
Unrestricted (deficit)	66,029,911	12,183,661
Total net assets	\$ 79,935,139	37,933,224

The notes to financial statements are an integral part of this statement.

Enterprise Funds			
Sewage Disposal Division	Nonmajor Enterprise Fund Golf Course	Total Enterprise Funds	Internal Service Funds
634,409	13,306	19,039,023	776,540
314,975	64,934	26,937,745	11,589,847
-	-	845,115	-
207,069	-	416,635	-
15,700,000	413,729	16,113,729	973,629
-	-	17,547,852	-
-	142,391	142,391	1,010,987
79,037	-	1,463,952	-
60,726	5,740	70,943	-
120,893	-	120,893	-
-	-	4,700,000	-
17,117,109	640,100	87,398,278	14,351,003
-	-	47,371,405	-
-	-	-	9,400,000
-	427,175	427,175	4,513,578
-	-	75,260	-
166,726	15,759	194,777	-
250,740	-	250,740	-
-	-	97,094,432	-
417,466	442,934	145,413,789	13,913,578
17,534,575	1,083,034	232,812,067	28,264,581
77,482,551	3,688,114	111,838,676	3,286,168
-	-	2,809,860	-
-	-	2,191,751	-
-	-	3,985,169	-
34,215,792	(473,294)	111,956,070	(1,004,807)
\$ 111,698,343	\$ 3,214,820	\$ 232,781,526	\$ 2,281,361

City of Flint, Michigan

Statement of Revenue, Expenses, and Changes in Fund Net Assets - Proprietary Funds Year Ended June 30, 2007

	Enterprise Funds	
	Hurley Medical Center	Water Supply Division
Operating Revenue		
Charges for services	\$ 347,856,879	\$ 33,172,084
Other miscellaneous revenue	-	-
Total operating revenue	347,856,879	33,172,084
Costs of Materials or Services Rendered	-	16,052,006
Operating Expenses		
Salaries, wages, and fringe benefits	220,207,332	7,934,842
Utilities	5,376,729	573,132
Equipment operation	-	187,283
Repairs and maintenance	3,349,348	139,347
Supplies	39,012,934	625,812
Insurance	8,963,898	-
Depreciation and amortization	11,198,120	3,011,956
Bad debt	30,568,062	986,142
Professional services	15,486,580	543,329
Claims and settlements	-	-
Administrative costs	-	1,063,440
Miscellaneous	14,638,029	518,984
Total operating expenses	348,801,032	15,584,267
Total materials, services, and operating expenses	348,801,032	31,636,273
Operating Income (Loss)	(944,153)	1,535,811
Non-operating Revenue (Expenses)		
Interest and dividend income	4,384,050	520,294
Interest expense	(4,491,718)	(9,845)
Net loss from joint ventures	(965,390)	-
Restricted contributions net of expenses	605,368	-
Gain (loss) on sale of capital assets	(324,965)	-
Miscellaneous revenue	-	-
Income (Loss) - Before contributions	(1,736,808)	2,046,260
Capital Contributions		
Grants for capital improvements	-	138,238
Change in Net Assets	(1,736,808)	2,184,498
Net Assets - Beginning of year	81,671,947	35,748,726
Net Assets - End of year	\$ 79,935,139	\$ 37,933,224

The notes to financial statements are an integral part of this statement.

Enterprise Funds			
Sewage Disposal Division	Nonmajor Enterprise Fund Golf Course	Total Enterprise Funds	Internal Service Funds
\$ 17,918,595	\$ 901,056	\$ 399,848,614	\$ 47,724,132
-	129,943	129,943	-
17,918,595	1,030,999	399,978,557	47,724,132
-	15,872	16,067,878	23,157,171
9,357,602	771,560	238,271,336	3,405,325
2,479,447	51,962	8,481,270	-
273,602	8,232	469,117	-
352,812	88,939	3,930,446	553,077
862,441	74,652	40,575,839	1,573,013
-	-	8,963,898	447,928
4,205,186	487,406	18,902,668	1,823,309
637,175	-	32,191,379	-
667,422	21,533	16,718,864	2,410,994
15,700,000	-	15,700,000	15,974,925
640,894	296,133	2,000,467	-
543,514	3,777	15,704,304	33,007
35,720,095	1,804,194	401,909,588	26,221,578
35,720,095	1,820,066	417,977,466	49,378,749
(17,801,500)	(789,067)	(17,998,909)	(1,654,617)
2,107,645	-	7,011,989	240,308
(76,787)	(41,781)	(4,620,131)	(240,520)
-	-	(965,390)	-
-	-	605,368	-
-	-	(324,965)	-
-	-	-	40,650
(15,770,642)	(830,848)	(16,292,038)	(1,614,179)
-	-	138,238	1,039,312
(15,770,642)	(830,848)	(16,153,800)	(574,867)
127,468,985	4,045,668	248,935,326	2,856,228
\$ 111,698,343	\$ 3,214,820	\$ 232,781,526	\$ 2,281,361

City of Flint, Michigan

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2007

	Enterprise Funds	
	Hurley Medical Center	Water Supply Division
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 288,919,069	\$ 30,959,096
Payments to vendors	(122,648,741)	(18,443,706)
Payments for interfund services	-	(499,679)
Payments to employees	(146,378,383)	(7,971,410)
Other receipts	-	-
Net cash provided by (used in) operating activities	19,891,945	4,044,301
Cash Flows from Investing Activities		
Contributions to joint ventures	(2,475,434)	-
Distributions from joint ventures	900,000	-
Purchases of investments	(6,866,071)	-
Interest on investments	3,257,169	520,294
Net cash provided by (used in) investing activities	(5,184,336)	520,294
Cash Flows from Noncapital Financing Activities		
Contributions for restricted purposes	605,368	-
Pooled cash advances repaid by other funds	-	-
Pooled cash advances from other funds	-	-
Payments received on long term note receivable	-	-
Advances made to other funds	-	-
Repayment on advances from other funds	-	-
Interest paid	-	-
Net cash provided by non-capital financing activities	605,368	-
Cash Flows from Capital and Related Financing Activities		
Capital contributions	-	-
Principal payments on long term debt	(3,796,408)	(2,017,139)
Grants received for capital asset purchase	-	92,700
Purchase of capital assets	(10,747,607)	(2,074,327)
Proceeds from sale of assets	426,728	-
Repayment on long term advances	-	-
Interest payments	(4,488,246)	(9,845)
Net cash used in capital and related financing activities	(18,605,533)	(4,008,611)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,292,556)	555,984
Cash and Cash Equivalents - Beginning of year	36,875,638	13,523,364
Cash and Cash Equivalents - End of year	\$ 33,583,082	\$ 14,079,348

The notes to financial statements are an
integral part of this statement.

Enterprise Funds			
Sewage Disposal Division	Nonmajor Enterprise Fund Golf Course	Total Enterprise Funds	Internal Service Funds
\$ 17,503,071	\$ 901,682	\$ 338,282,918	\$ 32,010,657
(4,955,424)	(569,318)	(146,617,189)	(6,534,976)
(500,000)	-	(999,679)	-
(9,325,065)	(765,107)	(164,439,965)	(26,906,877)
-	129,243	129,243	-
2,722,582	(303,500)	26,355,328	(1,431,196)
-	-	(2,475,434)	-
-	-	900,000	-
-	-	(6,866,071)	-
2,107,645	-	5,885,108	240,308
2,107,645	-	(2,556,397)	240,308
-	-	605,368	-
6,679,323	-	6,679,323	478,513
-	413,729	413,729	-
-	-	-	130,000
(842,770)	-	(842,770)	-
-	(142,391)	(142,391)	-
-	(4,803)	(4,803)	(2,201)
5,836,553	266,535	6,708,456	606,312
-	-	-	1,039,312
(1,527,411)	(5,441)	(7,346,399)	-
-	-	92,700	-
(1,630,613)	(21,836)	(14,474,383)	(1,881,105)
-	-	426,728	40,650
-	-	-	(661,474)
(76,787)	(36,978)	(4,611,856)	(238,319)
(3,234,811)	(64,255)	(25,913,210)	(1,700,936)
7,431,969	(101,220)	4,594,176	(2,285,512)
28,056,642	104,244	78,559,888	6,956,608
\$ 35,488,611	\$ 3,024	\$ 83,154,065	\$ 4,671,096

City of Flint, Michigan

Statement of Cash Flows Proprietary Funds Year Ended June 30, 2007

	Enterprise Funds	
	Hurley Medical Center	Water Supply Division
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ (944,153)	\$ 1,535,811
Adjustments to reconcile operating income (loss) to net cash provided by operations:		
Depreciation and amortization	11,198,120	3,011,956
Provision for bad debt	30,568,062	986,142
Amortization of deferred defeasance and bond issuance costs	386,057	-
Changes in operating assets and liabilities:		
Accounts receivable	(28,369,748)	(1,232,924)
Inventories	(310,954)	(62,566)
Prepaid items and other assets	330,917	-
Accounts payable	(473,449)	13,311
Due to other funds	-	-
Customer deposits	-	(170,861)
Accrued liabilities	7,507,093	(36,568)
Net cash provided by (used in) operating activities	\$ 19,891,945	\$ 4,044,301

Noncash Transactions

Capital asset purchases in accounts payable in the Water Fund \$506,746

Capital assets donated in Water Fund \$45,538

The internal service funds purchased capital assets through
an advance from the Sewer Fund with a cost of \$1,646,635

Enterprise Funds			
Sewage Disposal Division	Nonmajor Enterprise Fund Golf Course	Total Enterprise Funds	Internal Service Funds
\$ (17,801,500)	\$ (789,067)	\$ (17,998,909)	\$ (1,654,617)
4,205,186	487,406	18,902,668	1,823,309
637,175	-	32,191,379	-
-	-	386,057	-
221,652	(74)	(29,381,094)	(13,475)
(18,178)	(2,938)	(394,636)	(26,422)
-	-	330,917	(199,622)
(254,289)	(5,280)	(719,707)	(1,620,696)
15,700,000	-	15,700,000	-
-	-	(170,861)	-
32,537	6,453	7,509,515	260,327
\$ 2,722,583	\$ (303,500)	\$ 26,355,329	\$ (1,431,196)

City of Flint, Michigan

Statement of Net Assets Fiduciary Funds June 30, 2007

	Pension and Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents:		
Pooled cash and investments	\$ -	\$ 2,297,833
Cash and cash equivalents	22,990,551	1,612,176
Investments:		
U.S. Government obligations	97,893,763	-
Domestic stocks	452,841,905	-
Domestic corporate bonds	148,160,730	-
Partnership investment	42,278,544	-
Foreign stocks	62,471,560	-
Asset backed securities	7,586,013	-
Cash and securities held as collateral for securities lending	125,209,031	-
Taxes receivable	-	6,937,178
Accounts receivable	14,255	-
Accrued interest and dividends	1,596,375	-
Prepaid items	249,565	-
Restricted cash	-	-
Loans receivables	-	63,471
Total assets	961,292,292	\$ 10,910,658
Liabilities		
Accounts payable	786,262	870,765
Deposits and advances	-	627,833
Due to other governments	-	9,343,637
Due to component unit	-	65,119
Due to other funds	309,265	3,304
Obligations under securities lending agreements	125,209,031	-
Total liabilities	126,304,558	\$ 10,910,658
Net Assets		
Held in trust for pension benefits and other employee benefits	\$ 834,987,734	

The notes to financial statements are an integral part of this statement.

City of Flint, Michigan

Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2007

	Pension and Benefit Trust Funds
Additions	
Investment income:	
Interest	\$ 8,453,562
Dividends	4,137,248
Net increase in fair value of investments	91,881,036
Other investment income	616,781
Less investment expense	(3,667,932)
Net investment income	101,420,695
Contributions:	
Employer	26,627,247
Employee	4,244,638
Total contributions	30,871,885
Securities lending income:	
Interest and fees	6,215,882
Less borrower rebates and bank fees	(6,047,996)
Net securities lending income	167,886
Total additions	132,460,466
Deductions	
Benefits payments	83,666,221
Refunds of contributions	845,817
Administrative expenses	189,141
Total deductions	84,701,179
Net Increase in Net Assets Held in Trust	47,759,287
Net Assets	
Beginning of year	787,228,447
End of year	<u><u>\$ 834,987,734</u></u>

The notes the financial statements are an integral part of this statement.

City of Flint, Michigan

Component Units Statement of Net Assets June 30, 2007

	Downtown Development Authority	Atwood Stadium Building Authority
Assets		
Cash and equivalents	\$ 380,487	\$ 9,342
Cash with agent	-	-
Receivables:		
Accounts	9,356	-
Notes and leases receivable (net allowance of (\$392,943))	767,837	-
Assets held for resale - seized property	-	-
Prepaid and other current assets	-	-
Restricted assets	-	-
Capital assets (not depreciated)	5,498,512	-
Capital assets (net of accumulated depreciation)	417,800	-
Total assets	7,073,992	9,342

The notes to financial statements are an integral part of this statement.

Economic Development Corporation	Flint Area Enterprise Community	Totals
\$ 149,297	\$ 657,050	\$ 1,196,176
65,119	-	65,119
3,490	49,929	62,775
-	1,216,521	1,984,358
-	103,100	103,100
3,400	-	3,400
530,473	-	530,473
93,860	-	5,592,372
399,464	26,735	843,999
1,245,103	2,053,335	10,381,772

(continued)

City of Flint, Michigan

Component Units Statement of Net Assets (Continued) June 30, 2007

	Downtown Development Authority	Atwood Stadium Building Authority
Liabilities		
Accounts payable	3,012	-
Due to primary government	767,837	-
Refundable bonds and deposits	15,825	-
Accrued liabilities	11,020	-
Deferred revenue	6,977	-
Restricted liabilities-deposits payable	-	-
Long term debt	106,519	-
Total liabilities	911,190	-
Net Assets		
Invested in capital assets- Net of related debt	5,916,312	-
Restricted for:		
Community development	-	-
Capital improvements	10,570	-
Revolving loan program	-	-
Unrestricted (deficit)	235,920	9,342
Total net assets	\$ 6,162,802	\$ 9,342

The notes to financial statements are an integral part of this statement.

Economic Development Corporation	Flint Area Enterprise Community	Totals
14,814	25,694	43,520
14,764	-	782,601
-	-	15,825
-	10,345	21,365
-	-	6,977
5,715	-	5,715
-	-	106,519
35,293	36,039	982,522
493,324	26,735	6,436,371
-	144,257	144,257
-	-	10,570
743,258	1,765,314	2,508,572
(26,772)	80,990	299,480
\$ 1,209,810	\$ 2,017,296	\$ 9,399,250

City of Flint, Michigan

Component Units Statement of Activities Year Ended June 30, 2007

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Downtown Development Authority:			
Governmental activities:			
Development administration	\$ 256,443	\$ -	\$ -
Community promotion and development	174		
Business-type activities:			
Parking	944,577	780,735	-
Total Downtown Development Authority	1,201,194	780,735	-
Atwood Stadium Building Community	-	-	-
Flint Area Enterprise Community:			
Governmental activities:			
Community development	821,542	103,977	493,423
Economic Development Corporation:			
Governmental activities:			
Economic development	55,380	-	-
Business-type activities:			
Economic development	221,799	110,604	91,372
Total Economic Development Corporation:	277,179	110,604	91,372
Total component units	\$ 2,299,915	\$ 995,316	\$ 584,795
General Revenues:			
Property taxes			
Interest			
Unrestricted income			
Unrestricted other revenues			
Total general revenues			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - Ending of year			

The notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Component Units				
Downtown Development Authority	Atwood Stadium Building Authority	Economic Development Corporation	Flint Area Enterprise Community	Total
\$ (256,443) (174)	\$ - -	\$ - -	\$ - -	\$ (256,443) (174)
(163,842)	-	-	-	(163,842)
(420,459)	-	-	-	(420,459)
-	-	-	-	-
-	-	-	(224,142)	(224,142)
-	-	(55,380)	-	(55,380)
-	-	(19,823)	-	(19,823)
-	-	(75,203)	-	(75,203)
(420,459)	-	(75,203)	(224,142)	(719,804)
54,040	-	-	-	54,040
-	-	32,749	86,313	119,062
16,013	-	-	73,977	89,990
169,895	-	23,394	-	193,289
239,948	-	56,143	160,290	456,381
(180,511)	-	(19,060)	(63,852)	(263,423)
6,343,313	9,342	1,228,870	2,081,148	9,662,673
\$ 6,162,802	\$ 9,342	\$ 1,209,810	\$ 2,017,296	\$ 9,399,250

Notes to Basic Financial Statements

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Flint (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Flint.

A. Reporting Entity

The City of Flint is a municipal corporation governed by an elected mayor and a nine member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance they are part of the government's operations. The aggregate discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

Blended Component Units:

The Flint Employees Retirement System (FERS) is a defined benefit pension plan that provides retirement benefits to certain City retirees. The FERS was established and governed by City ordinance, with the Board of Trustees comprising of City officials and retirees. The FERS is reported as a Pension Trust Fiduciary Fund.

The City of Flint Retirees Health Care Plan and Trust is a defined contribution plan that provides retiree health care benefits to certain City retirees. The Health Benefits Plan and Trust was established and is governed by City ordinance with the Board of Trustees comprised of City officials and 2 members from each participating collective bargaining unit. The Plan is reported as a Benefit Trust Fiduciary Fund.

Discretely Presented Component Units:

The Atwood Stadium Building Authority (Authority) serves all citizens and is responsible for major capital improvements to Atwood Stadium, a recreational facility serving the citizens of the City. The City appoints a majority of the governing board and all surplus funds existing at the termination of the Authority vest to the City. The Authority is presented as a governmental activity.

The Flint Downtown Development Authority (Authority) was created under State law to promote and rehabilitate the downtown area. The Authority sponsors downtown events and manages parking facilities. State law provides for a specific tax levy for the operations of the Authority. The City appoints the Board and has to approve the annual budget and the issuance of any debt. Any surplus funds remaining at the termination of the Authority vest to the City. The Authority has both governmental and business-type activities.

The City of Flint Economic Development Corporation (Corporation) was created under State law to provide financing and development opportunities for businesses located within the City. The City appoints the Board. The Corporation provides loans to start up or expanding businesses and manages rental property that lease space to commercial and light industrial manufacturing companies. Surplus funds existing at the termination of the Corporation vest to the City. The Corporation has both governmental and business-type activities.

Note I - Summary of Significant Accounting Policies (Continued)**A. Reporting Entity (continued)****Discretely Presented Component Units (continued):**

The Flint Area Enterprise Community (FAEC) is a non-profit organization, established under state law. FAEC is responsible for coordinating and implementing a strategic plan to advocate and develop business and community development in a federally designated zone that includes portions of Mt. Morris Township and the City of Flint. The City appoints a majority of the Board of Directors, provides the majority of its funding for operations, and any assets remaining at the cessation of its operating activities would be returned to the City of Flint. The FAEC is presented as a governmental activity.

Complete financial statements for the following individual component units may be obtained at the entity's administrative offices. Complete financial statements for Atwood Stadium Building Authority are not available.

Flint Downtown Development Authority Suite 206 412 S. Saginaw Street Flint, Michigan 48502	Flint Economic Development Corporation 1101 S. Saginaw Street Flint, Michigan 48502	Flint Area Enterprise Community 805 Welch Boulevard Flint, Michigan 48504
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Hurley Medical Center Enterprise Fund:

The Hurley Medical Center Enterprise Fund is a separate administrative unit of the City of Flint. The Medical Center provides inpatient, outpatient and emergency care services in Genesee and surrounding counties.

The Enterprise Fund financial statements present the Medical Center and its wholly owned subsidiary Hurley Health Services, Inc. on a consolidated basis.

The Medical Center is the sole member of Hurley Health Services, Inc., (HHS) a municipal support organization organized on a non-profit, non-stock membership basis. HHS on a consolidated basis, is comprised of two non-profit entities (HHS and The Hurley Clinics, THC) and one "for profit" corporation (Hurley Practice Management Services). HHS began operations January 1, 1998.

The Medical Center and HHS are exempt from income taxes except for HHS's subsidiary, Hurley Practice Management Services. A provision for income taxes (at statutory rates) has been provided for in the consolidated financial statements related to this entity's transactions. Hurley Practice Management Services (HPMS), adopted Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the current enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refund for the period plus or minus the net change in the deferred tax assets and liabilities. There is a deferred tax asset of \$150,000 at year end.

Note I - Summary of Significant Accounting Policies (Continued)**A. Reporting Entity (continued)****Hurley Medical Center Joint Ventures:**

The Hurley Medical Center Enterprise Fund (Medical Center) participates in five privately held joint ventures: Greater Flint Area Hospital Imaging Center, Inc. (GFAHIC), Flint Health Systems Imaging Center Inc. (FHSIC), HGH, Inc. (HealthPlus Partners), Hurley PHO of Mid-Michigan and Genesys Hurley Cancer Institute. Each corporate joint venture is recorded in the financial statements in accordance with Accounting Principles Board Statement 18 on the equity method of accounting.

GFAHIC and FHSIC provide magnetic resonance imaging (MRI) services to the Greater Flint and Genesee County community. The ownership of both corporations is allocated between Hurley Medical Center, Genesys Regional Medical Center, and McLaren Regional Medical Center. The joint venture provides that each participant shares in the annual earnings/loss of the Corporations. The net investment by the Medical Center at June 30, 2007 was \$3,618,462. A total of \$900,000 was distributed to the Medical Center during the year ended June 30, 2007.

HGH, Inc. is a joint venture among Hurley Medical Center, HealthPlus of Michigan, Inc., Genesys Regional Medical Center and Memorial Health Care Center. The venture was established during 1995 to provide a methodology to enroll Medicaid patients in the statewide managed care initiative for Medicaid. The arrangement provides that the three entities will share in the excess revenues or expenditures of the joint venture. During 2007, the Medical Center contributed capital of \$2,475,434 to pay outstanding claims. The net investment by the Medical Center was zero at June 30, 2007. This joint venture was dissolved as of December 31, 2005.

Hurley PHO of Mid-Michigan is a joint venture between Hurley Medical Center and its medical staff. The venture was established during 1997 to provide vertically integrated continuous care which will facilitate the Medical Center participating in managed care contracts in the future. The Medical Center's net investment at June 30, 2007 was \$639,669. The arrangement provides that the Medical Center will be allocated 50 percent of income or losses of the joint venture.

Genesys Hurley Cancer Institute is a joint venture between Hurley Medical Center and Genesys Regional Medical Center. The venture was established during 2001, to provide outpatient oncology services, including laboratory, and radiation oncology. The Medical Center's net investment at June 30, 2007 was \$3,735,305. The arrangement provides that the two entities will share equally in the income or losses of the joint venture.

HPMS has a 50 percent ownership in Hurley/Binson's Medical Equipment, Inc. The equity method of accounting was adopted for this investment, which was \$0 at June 30, 2007. Investment loss recognized in the year ended June 30, 2007 using the equity method was \$1,140,308.

The financial statements of each entity are available at the Hurley Medical Center's administrative office.

Note I - Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund, pension trust fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Hurley Medical Center Enterprise Fund is used to account for the financial operations of Hurley Hospital. The Hospital is owned by the City and is managed by an eleven member board of managers that are appointed by the mayor with the approval of City Council.

The Water Supply and Sewer Disposal System is a division of the City's Department of Public Work. Separate funds are maintained for the operations of the water distribution system and sewage pumping and collection systems and the sewer treatment plant.

Additionally, the government reports the following fund types:

Internal service funds account for data processing, self insurance, fleet, and fringe benefits services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Pension Trust and Employee Benefit Funds account for the activities of the five different funds utilized to pay retirement and health care benefits for City retirees. These funds accumulate resources for pension and health care benefits financed by both employer and employee contributions.

Agency Funds account for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Pension Trusts and Agency funds are reported as fiduciary funds and are not included in the government wide Statement of Net Assets and Statement of Activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenue* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all taxes and interest income.

When an expense is incurred for purpose for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish *operating* revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Hurley Medical Center enterprise fund, the Water and Sewer enterprise funds, other enterprise funds, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and cash equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Pooled cash and investments

Cash resources of certain individual funds are combined to form a pool of cash and investments which is managed by the City Treasurer. Investments in the pooled cash and investments account consist primarily of certificates of deposit with a maturity date greater than three months from the date acquired by the City, top grade commercial paper and government securities, and money market funds, and are carried at fair market value.

At June 30, 2007, some funds have overdrawn their share of the pooled cash and investments. Fund overdrafts of pooled cash and investments are reported as an interfund liability of that fund. Management has selected the Sewage Disposal Enterprise Fund to report the interfund receivable. Accordingly, the Sewer Fund's pooled cash and investment balance, as reported on the financial statement, has been decreased by the amounts receivable from the other City funds with an overdraft.

Interest income earned as a result of pooling cash and investments is distributed to the participating funds monthly utilizing a formula based on the average daily balance of each fund's share of the total pooled cash and investments. Funds which have overdrawn their share of pooled cash and investments are charged interest costs.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. Pooled cash and investments (continued)

For purposes of the statement of cash flows, pooled cash and investments have been considered as cash and cash equivalents.

3. Investments

Investments for the City, as well as for its component units, are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

4. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

5. Inventories and prepaid items

Inventories in the Enterprise and Internal Service Funds are valued at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories of governmental funds are valued at cost and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted assets

These assets are restricted through bond or grant agreements, or represent donated assets whose disposition is specified by the donor.

Restricted assets which are recorded in the Hurley Medical Center Enterprise Fund consist of:

- Assets set aside by the Board of Managers for identified purposes, and over which the Board retained control, and may at its discretion subsequently use for other purposes.
- Proceeds of debt issues and funds of the Center deposited with a trustee and limited to use in accordance with the requirements of an indenture.
- Assets restricted by outside donors.

Restricted assets recorded in the Water Supply Enterprise Fund consists of amounts set aside for equipment replacement as required by the Drinking Water Revolving Fund Revenue Bonds.

Note I - Summary of Significant Accounting Policies (Continued)**D. Assets, Liabilities, and Net Assets or Equity (continued)**

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$934,901 of interest expense was capitalized as part of the cost of assets under construction.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	5-50
Land improvements	10-50
Public domain infrastructure	10-50
Water and sewer infrastructure	10-75
Machinery and equipment	5-20

8. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees accumulate sick leave credit bi-weekly based on the various bargaining unit agreements. Sick leave may accumulate indefinitely. Upon retirement or death, the first 480 hours of accrued sick leave is paid in full at the employee's current pay rate. The next 480 hours are forfeited by the employee, except for certain police employees who are paid for these hours at half the employee's current rate. All accrued hours in excess of 960 are paid at half the employee's current rate. Employees earn annual vacation leave bi-weekly at various rates based on bargaining unit and seniority. Each bargaining unit and seniority level determines the cap on the number of hours that can be accrued for annual vacation leave. Vacation leave is paid at the employee's current pay rate when used or upon retirement. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In prior years, the governmental fund that has liquidated compensated absences has typically been the General Fund.

Note I - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

9. Long-term obligations and interest payments

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

10. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Property tax

The City's property tax is levied each July 1 on the taxable value determined as of December 31 of the preceding year for all taxable real and personal property located in the City. On July 1, the property tax attachment is an enforceable lien on the property. Assessed values are established by the City Assessor at 50% of estimated market value.

The City is permitted by the City charter to levy up to 10 mills on taxable valuation assessments. For the year ended June 30, 2007, the City levied the full 10 mills allowed. The levy consists of 7.5 mills for operating costs and 2.5 mills restricted for public improvement. The City levies 3.0 mills for garbage collection in accordance with state law. This resulted in \$12,052,213 for operating, \$4,087,364 for public improvement and \$4,897,431 for garbage collection.

A special voted assessment of .5 mills is levied for both paramedic services and dedicated funds for the improvement and maintenance of City parks, forestry and recreation services. The paramedic millage is a ten year millage for the period August 2006 – December 2016. The park millage is a ten year millage for the period November 2006 – December 2016. In addition, the City was authorized by the electorate to levy an additional property tax at the rate of 2.0 mills with all revenue received to be used to fund a city-wide neighborhood police program (a five year millage February 2007-December 2011). Because these additional levies were approved by a special vote, they do not fall under the 10 mill charter limitation. This resulted in \$789,780 for paramedic services, \$817,309 for parks and \$3,270,368 for neighborhood police.

Note I - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

11. Property tax (continued)

Taxes on the operating, public improvement, garbage collection, parks, and neighborhood police levies are billed July 1 and may be paid in three (3) equal installments due by July 31, October 31, and February 28, following the levy date. Taxes on the paramedic service levy are billed on December 1 and due in one installment by February 28. Property tax receivables are recorded as a receivable and offsetting deferred revenue when levied and due. Property taxes are recognized as revenues when collected or when considered measurable and available. The City considers property taxes as available if they are collected within 60 days after year end.

12. Hurley Medical Center - cost based reimbursement

Patient accounts receivable at June 30, 2007, and revenues for the year then ended, include estimated amounts due from various third-party payors which are computed in accordance with their respective reimbursement formulas.

In addition, the Medical Center has established an estimated allowance for uncollectible accounts of approximately \$16,470,000 for 2007.

13. Hurley Medical Center - revenues and expenses accounting policy

Net patient service revenue:

Net patient service revenue is reported at the estimated net realized amounts from patients and third-party payors for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Approximately 75% of the Medical Center's revenues are based on participation in the Blue Cross Blue Shield, Medicare, and Medicaid programs for the year ended 2007.

Charity care:

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The eligibility criteria is based on levels of income.

Estimated malpractice costs:

The provision for estimated self-insured medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The estimate for claims incurred but not reported is based on an actuarial determination.

Note 1 - Summary of Significant Accounting Policies (Continued)**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability**A. Budgetary Information**

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first meeting in April, the Mayor submitted to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The legally adopted operating budgets included proposed expenditures and the means of financing them for the General and Special Revenue Funds. (These funds are required to have budgets per Michigan law). Informational summaries of projected revenue and expenditures/expenses were provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings were conducted at city hall to obtain taxpayer comments.
3. At the first City Council meeting in June, the budget was legally enacted on a department level through the passage of a resolution in accordance with State law.
4. The Mayor, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any budgetary level (as indicated above) were to be approved by the City Council.
5. Formal budgetary integration was employed as a management control device during the year for all budgetary funds. Also, all budgets, except for the Federal Grants Fund, were adopted on a basis consistent with generally accepted accounting principles. The budget for the federal grants fund includes grant revenue and expenditures which were passed through to other City fund and recorded as revenue and expenditures in the grant receiving fund. For the fund financial statements, the federal grant fund includes only those revenue and expenditures incurred directly by that fund. In addition budgets were not adopted for the State Grants, Atwood Stadium, City Park and Longway Park Special Revenue Funds since no expenditures were anticipated for the year.
6. Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
7. The original budget was amended during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (continued)

A reconciliation of the budgetary comparison schedule to the fund statement of changes in fund balance for the federal grants fund is as follows.

Federal Grants:	Total <u>Revenue</u>	Total <u>Expenditures</u>
Actual expenditures on a budgetary basis	\$10,215,085	\$ 10,439,427
Revenue and expenditures budgeted for in other funds	<u>(4,102,952)</u>	<u>(4,102,952)</u>
Actual balances as reported on the fund statements	<u>\$ 6,112,133</u>	<u>\$ 6,336,475</u>

B. Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of appropriations at the department level during the year:

	Final <u>Budget</u>	<u>Actual</u>	Actual Over Amended <u>Budget</u>
General Fund:			
Fire Department	\$13,961,039	\$14,730,348	\$769,309
Emergency Dispatch	2,763,557	2,853,768	90,211
Parks and Recreation	3,318,957	3,425,428	106,471
Union Representatives	307,725	341,451	33,726
Transfers out	831,748	906,256	74,508
Senior Citizen Center Special Revenue Fund:			
Parks and recreation	3,936	65,196	61,259
Building Department:			
Debt service	-0-	56,594	56,594
Neighborhood Policing Special Revenue Fund:			
Police	3,486,997	3,568,972	81,975

Note 3 - Detailed Notes on All Funds

A. Pooled Cash and Investments, Deposits, and Investments

The City maintains a cash and investment pool that is available for use by all funds except the ICMA 401 Retirement Pension Trust Fund. Each fund types' portion of this pool is displayed on the combined balance sheet as "Pooled Cash and Investments."

The pooled cash and investments account at June 30, 2007 is comprised of the following:

Cash deposits	\$ 3,263,016
Investments	<u>70,444,227</u>
	<u>\$ 73,707,242</u>

Note 3 - Detailed Notes on All Funds (Continued)

A. Pooled Cash and Investments, Deposits, and Investments (continued)

A summary of the amount of equity in the pooled cash and investments account, or the amount due to the Sewage Disposal Enterprise Fund at June 30, 2007, follows:

<u>Fund</u>	<u>Pooled Cash and Investments</u>	<u>(Due to)</u>
General Fund	\$ 719,525	\$ -
Special Revenue Funds:		
Major Streets Fund	7,425,337	-
Local Streets Fund	3,423,409	-
Federal Grants Fund	171,321	(1,890,964)
Neighborhood Policing Fund	-	(86,615)
State Act 251 - Forfeitures Fund	1,158,011	-
EDA Revolving Loan Fund	519,126	-
Atwood Stadium Fund	6,101	-
Parks and Recreation	693,257	-
Senior Citizen Center	90,245	-
City Park Fund	7,547	-
Longway Fund	8,421	-
Building Department Fund	115,763	-
Garbage Fund	104,423	-
Debt Service Funds:		
Windmill Place Debt Service Fund	6,520	-
Buick City Debt Service Fund	547	-
Capital Projects Funds:		
Public Improvement Fund	3,929,001	-
Enterprise Funds:		
Water Supply Division Fund	12,776,414	-
Sewage Disposal Division Fund	39,166,117	-
Golf Course Fund	-	(413,729)
Internal Service Funds:		
Data Processing Fund	-	(658,820)
Fringe Benefits Fund	1,401,564	-
Self-Insurance Fund	3,077,827	-
Central Maintenance	-	(314,809)
Pension Trust Funds:		
Flint Employees' Retirement System Fund	-	(62,962)
Retiree Health Care Fund	-	(246,303)
Agency Funds:		
County Revolving Loan	286,439	(3,304)
Miscellaneous Agency Fund	2,297,833	-
	<u>77,384,748</u>	<u>\$3,677,506</u>
Total pooled cash and investments	<u>\$73,707,242</u>	

Note 3 - Detailed Notes on All Funds (Continued)**B. Deposits and Investments**

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

The city has designated four banks for the deposit of its funds. The investment policy adopted by the City Council is in accordance with statutory authority.

The City's investment policy authorizes the City and its component units to invest in obligations of the U.S. Treasury and obligation of U.S. agencies, where the principal and interest are fully guaranteed by the United States, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations secured by obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments.

The City's investment policy further requires that investments held in the pooled investment fund be limited by investment type and financial institution. These investment limitations do not affect the investments of the Pension Benefit Trust or the City's component units. The City's pooled cash investments are limited as follows:

- Negotiable certificates of deposit cannot exceed 25% of investment holdings
- Commercial paper cannot exceed 50% of investment holdings
- Bankers acceptances cannot exceed 10% of investment holdings
- Mutual funds cannot exceed 15% of the investment holdings
- Banker acceptances cannot exceed a maturity of 270 days
- Bankers acceptances in one financial institution cannot exceed 10% of investment holdings
- Commercial paper holdings of any one corporation cannot exceed 10% of investment holdings

The Hurley Medical Center Enterprise Fund's investing is controlled by Hurley Medical Center's Chief Financial Officer. Hurley has adopted the above City investment policy as its policy for investment of unrestricted funds. Hurley also must adhere to donor restrictions on the investing of any restricted funds received.

Note 3 - Detailed Notes on All Funds (Continued)**B. Deposits and Investments (continued)**

The City deals only with qualified banks and primary investment firms that adhere to the specific guidelines established by industry practice for repurchase agreements.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$41,037,820 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the city evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, collateralized securities of \$18,341,638 were uninsured and unregistered, and held by the counterparty or by its trust department, or agent, but not in the City's name.

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy for investment of general City monies that limits investments in securities with maturities greater than five years to 15% of the balance available to invest. Hurley Medical Center's investment policy indicates that no investment shall have, at time of purchase, an average life of more than five years and investments other than mortgage backed securities may not have a maturity of more than 10 years. As of June 30, 2007, the following securities were subject to interest rate risk:

<u>Investment Type</u>	<u>Fair Value</u> <u>(amounts in thousands)</u>	<u>Weighted</u> <u>Average</u> <u>Maturity (Years)</u>
Repurchase Agreement	\$ 7,069	0.009
U.S. government bonds	10,479	.17
Non government CMO's	6,398	.46
Commercial paper	20,694	0.02
Corporate bonds	15,648	.18
Government mortgage backed securities	160,000	2.007
Foreign government bonds	98	.002
Money markets	30,617	.018
Bond index funds	132,513	2.628
Asset backed securities	1,188	.02
	<u>\$384,704</u>	

Note 3 - Detailed Notes on All Funds (Continued)

B. Deposits and Investments (continued)

Credit risk:

Credit risk is the risk that the government will not be able to recover the value of its securities. The City follows state law which limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices for general City funds. The pension funds are allowed to invest in longer maturity corporate bonds in accordance with state law.

As of June 30, 2007, the credit quality ratings of debt securities not explicitly guaranteed by the U.S. Government are as follows:

<u>Investment Type</u>	<u>Fair Value (amounts in thousands)</u>	<u>Rating</u>	<u>Rating Organization</u>
Non government CMO's	\$ 6,336	AAA	Standard and Poors
	63	Not rated	N/A
Commercial paper	14,103	A1	Standard and Poors
	5,691	A2	Standard and Poors
	900	F1	Fitch
Repurchase Agreement	7,069	Not rated	N/A
Asset backed securities	1,188	AAA	Standard and Poors
Corporate bonds	2,597	AAA	Standard and Poors
	5,565	AA	Standard and Poors
	5,393	A	Standard and Poors
	2,093	BBB	Standard and Poors
Money market	3,717	AAA	Standard and Poors
	1,912	AA	Standard and Poors
	22,645	Pool Average A1	Standard and Poors
	35	Not rated	N/A
	1,068	Pool Average A1/A2	Standard and Poors
Government mortgage backed securities	403	AAA	Standard and Poors
	152,974	AAA	Standard and Poors
Bonds	59,348	Pool Average AA	Standard and Poors
	73,165	Pool AAA/AA/A	Standard and Poors
Foreign government bonds	98	BBB	Standard and Poors
	<u>\$366,363</u>		

Note 3 - Detailed Notes on All Funds (Continued)**B. Deposits and Investments (continued)**

Foreign currency risk:

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency – denominated investments to 5 percent of total pension system investments. The following securities are subject to foreign currency risk:

<u>Security</u>	<u>Foreign Currency</u>	<u>Fair Value</u> <u>(amounts in thousands)</u>
Foreign stocks	Australia	\$ 19
	Chinese	1,036
	Canadian Dollar	2,144
	European Euro	47,072
	Japanese Yen	4,844
	Mexican	1,115
	Swiss Franc	1,917
	Philippine	64
	British Pound	3,280
		<u>\$ 61,491</u>

Securities lending agreement:

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the System lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities.

The System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

The System and the borrower maintain the right to terminate all securities lending transactions on demand. Cash collateral of \$124,484,317 was received for lent securities with a fair market value of \$121,712,451. Cash collateral was invested in a short term investment pool, with an average duration of 39 days at June 30, 2007. Noncash collateral was also received of \$3,570,172, for securities lent with a fair market value of \$3,496,579. Noncash collateral cannot be pledged or sold unless the borrower defaults. The average term of the System's overall loans was approximately 95 days at June 30, 2007.

Note 3 - Detailed Notes on All Funds (Continued)

B. Deposits and Investments (continued)

Securities lending agreement: (continued)

The plan's aggregate investments are as shown in the following table. These investments are reported at fair value. Except for mutual funds, which are not subject to custodial credit risk, investments are held by the system's agent (which is not affiliated with or related to the investment brokers) in the system's name. (Amounts are in thousands.)

<u>Investment Type</u>	<u>Fair Value</u>
Equities	\$512,654
US government bonds	10,211
Government mortgage backed securities	86,913
Non-government mortgage backed securities	6,398
Corporate bonds	15,648
Asset back securities	1,188
Accrued income and expense	1,596
Partnerships	42,279
Foreign government bonds	98
Bond pools	132,514
Short-term money market funds	22,645
	<u>\$832,144</u>

The following represents the balances relating to the securities lending transactions as of June 30, 2007. (Amounts are in thousands; investments are reported at fair value.)

<u>Securities Lent</u>	<u>Underlying Securities</u>	<u>Collateral Received</u>	<u>Collateral Invested</u>	<u>Collateral Investment Type</u>
US government bonds	\$ 9,510	\$ 9,698	\$ 7,111	Cash
			2,587	US gov't securities & bank letters
US government agencies	18,581	18,921	18,063	Cash
			857	US gov't. securities & bank letters
US corporate bonds	3,542	3,629	3,503	Cash
			126	US gov't securities & bank letters
US equities	93,576	95,807	95,807	Cash
			0	US gov't securities & bank letters
	<u>\$125,209</u>	<u>\$128,055</u>	<u>\$128,054</u>	

Collateral is invested in investment pools and is not exposed to custodial credit risk.

Note 3 - Detailed Notes on All Funds (Continued)

B. Deposits and Investments (continued)

Securities lending agreement: (continued)

The Economic Development Corporation of the City of Flint's, EDC's, cash is subject to one type of risk, which is examined in more detail below:

Custodial credit risk is the risk that in the event of a bank failure, EDC's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, EDC had \$479,770 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Flint Area Enterprise Community's, FAEC's, cash is subject to one type of risk, which is examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, FAEC's deposits may not be returned to it. FAEC does not have a deposit policy for custodial credit risk. At year end, FAEC had \$569,227 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. FAEC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, FAEC evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Flint Downtown Development Authority's, DDAs, cash is subject to one type of risk, which is examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, DDA's deposits may not be returned to it. DDA does not have a deposit policy for custodial credit risk. At year end, FAEC had \$302,646 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. FAEC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, DDA evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Detailed Notes on All Funds (Continued)

C. Receivables

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General Fund</u>	<u>Nonmajor, Internal Service, and Other Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 2,329,042	\$ 8,303,635	\$ 10,632,677
Accounts	5,772,640	371,356	6,143,996
Special assessment	66,901	-	66,901
Intergovernmental	4,117,555	3,857,490	7,975,045
Interest and dividends	-	1,596,375	1,596,375
Notes and leases	-	9,517,843	9,517,843
Gross receivables	12,286,138	23,646,699	35,932,837
Less: allowance for uncollectibles	(4,519,181)	(3,587,487)	(8,106,668)
Net receivables	<u>\$ 7,766,957</u>	<u>\$ 20,059,212</u>	<u>\$ 27,826,169</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (general fund)	\$ 614,133	\$ -	\$ 614,133
Delinquent property taxes receivable	1,332,629	-	1,332,629
Long-term notes receivable	4,059,629	-	4,059,629
Long-term advance to component unit	767,837	-	767,837
Grant receipts prior to meeting all eligibility requirements	-	1,125,370	1,125,370
Total deferred/unearned revenue for governmental funds	<u>\$6,774,228</u>	<u>\$1,125,370</u>	<u>\$7,899,598</u>

Note 3 - Detailed Notes on All Funds (Continued)

C. Receivables (continued)

Business type activities:

	<u>Hurley Medical Center</u>	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Nonmajor</u>	<u>Total</u>
Receivables:					
Interest - restricted	\$ 381,789	\$ -	\$ -	\$ -	\$ 381,789
Accounts	81,582,290	8,142,529	4,952,561	74	94,677,454
Gross receivables	81,964,079	8,142,529	4,952,561	74	95,059,243
Less: allowance for uncollectibles	(16,470,000)	(494,880)	(347,494)	-	(17,312,374)
Net total receivables	<u>\$65,494,079</u>	<u>\$7,647,649</u>	<u>\$4,605,067</u>	<u>\$ 74</u>	<u>\$ 77,746,869</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,449,987	\$ -	\$ -	\$ 13,449,987
Capital assets, being depreciated:				
Buildings	19,787,669	131,906	47,398	19,872,177
Improvements other than buildings	9,462,375	1,477,367	100,493	10,839,249
Machinery and equipment	33,026,030	4,242,970	3,370,777	33,898,223
Infrastructure	309,765,377	25,462,384	1,591,006	333,636,755
Total capital assets being depreciated	<u>372,041,451</u>	<u>31,314,627</u>	<u>5,109,674</u>	<u>398,246,404</u>
Less accumulated depreciation for:				
Buildings	13,525,135	418,981	47,398	13,896,718
Improvements other than buildings	4,352,325	637,335	100,493	4,889,167
Machinery and equipment	21,799,478	2,980,956	3,370,777	21,409,657
Infrastructure	202,511,676	12,004,034	1,591,006	212,924,704
Total accumulated depreciation	<u>242,188,614</u>	<u>16,041,306</u>	<u>5,109,674</u>	<u>253,120,246</u>
Total capital assets, being depreciated, net	<u>129,852,837</u>	<u>15,273,321</u>	<u>-</u>	<u>145,126,158</u>
Governmental activities capital assets, net	<u>\$143,302,824</u>	<u>\$ 15,273,321</u>	<u>\$ -0-</u>	<u>\$158,576,145</u>

Note 3 - Detailed Notes on All Funds (Continued)

D. Capital Assets (continued)

Primary Government (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,448,616	\$ 73,846	\$ -	\$ 5,522,462
Construction in progress	22,614,097	13,851,180	11,355,593	25,109,684
Total capital assets, not being depreciated	28,062,713	13,925,026	11,355,593	30,632,146
Capital assets, being depreciated:				
Buildings and system	171,075,403	5,069,213	983,393	175,161,223
Improvements other than buildings	15,185,262	160,805	239,198	15,106,869
Machinery and equipment	316,560,520	8,253,669	7,047,434	317,766,755
Total capital assets, being depreciated	502,821,185	13,483,687	8,270,025	508,034,847
Less accumulated depreciation for:				
Buildings and system	115,550,894	5,295,061	431,485	120,414,470
Improvements other than buildings	7,844,469	546,612	83,503	8,307,578
Machinery and equipment	203,112,684	13,060,995	6,085,472	210,088,207
Total accumulated depreciation	326,508,047	18,902,668	6,600,460	338,810,255
Total capital assets, being depreciated, net	176,313,138	(5,418,981)	1,669,565	169,224,592
Business-type activities capital assets, net	\$204,375,851	\$8,506,045	\$13,025,158	\$199,856,738

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

Legislative	\$ 1,067
Judicial	16,186
General government	407,097
Police	781,239
Fire	538,344
Building inspection	88,156
Transportation	13,223,052
Emergency dispatch	59,574
Parks and recreation	830,439
Community enrichment and development	213,602

Total depreciation expense - governmental activities \$16,158,756

Note 3 - Detailed Notes on All Funds (Continued)

D. Capital Assets (continued)

Primary Government (continued)

Business-type activities:

Hospital	\$11,198,120
Water	3,011,956
Sewer	4,205,186
Golf	<u>487,406</u>

Total depreciation expense – Business-type activities	<u>\$18,902,668</u>
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Construction commitments:

The government has active construction projects as of June 30, 2007. The projects include water plant improvements, street construction in areas with newly developed housing, and widening and construction of existing streets and bridges. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitment</u>
Incinerator automation	\$1,216,213	\$2,007,000
Incinerator feed system improvements	<u>45,157</u>	<u>1,752,977</u>
Total	<u>\$1,261,370</u>	<u>\$3,759,977</u>

The commitment for the incinerator and the feed system improvements is funded through sewer fund revenues.

Discretely presented component units capital asset activity:

Activity for the Flint Downtown Development Authority for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Office furniture and equipment	\$ 47,186	\$ -	\$ -	\$ 47,186
Less accumulated depreciation for:				
Office furniture and equipment	<u>46,978</u>	<u>174</u>	<u>-</u>	<u>47,152</u>
Governmental activities capital total				
capital assets, net of depreciation	<u>208</u>	<u>(174)</u>	<u>-</u>	<u>34</u>

Note 3 - Detailed Notes on All Funds (Continued)

D. Capital Assets (continued)

Discretely presented component units capital asset activity: - (continued)

Activity for the Flint Downtown Development Authority for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	5,498,512	-	-	5,498,512
Capital assets, being depreciated:				
Buildings	298,411	152,584	-	450,995
Land improvements	1,457,327	-	-	1,457,327
Leasehold improvements	5,519,160	-	-	5,519,160
Totals, capital assets being depreciated	7,274,898	152,584	-	7,427,482
Less accumulated depreciation for:				
Buildings	230,882	29,742	-	260,624
Land improvements	1,412,326	30,000	-	1,442,326
Leasehold improvements	5,220,334	86,432	-	5,306,766
Total accumulated depreciation	6,863,542	146,174	-	7,009,716
Total business-type activities, total capital assets, net of depreciation	411,356	6,410	-	417,766
Business-type activities total capital assets – net	\$5,909,868	\$ 6,410	\$ -0-	\$ 5,916,278

Activity for the Flint Economic Development Corporation for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 93,860	\$ -	\$ -	\$ 93,860
Capital assets, being depreciated:				
Buildings	514,782	-	-	514,782
Building improvements	686,577	7,600	-	694,177
Machinery and equipment	17,046	-	-	17,046
Totals, capital assets being depreciated	1,218,405	7,600	-	1,226,005
Less accumulated depreciation for:				
Buildings	444,644	25,739	-	470,383
Building improvements	304,783	34,329	-	339,112
Machinery and equipment	17,046	-	-	17,046
Total accumulated depreciation	766,473	60,068	-	826,541
Total capital assets, being depreciated, net	451,932	(52,468)	-	399,464
Capital assets, net	\$ 545,792	\$ (52,468)	\$ -0-	\$ 493,324

Note 3 - Detailed Notes on All Funds (Continued)

D. Capital Assets (continued)

Discretely presented component units capital asset activity: - (continued)

Activity for the Flint Area Enterprise Community for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 189,254	\$ -	\$ -	\$ 189,254
Equipment	43,007	2,134	(3,894)	41,247
Totals, capital assets being depreciated	232,261	2,134	(3,894)	230,501
Less accumulated depreciation for:				
Leasehold improvements	146,990	18,926	-	165,916
Equipment	39,817	1,927	3,894	37,850
Total accumulated depreciation	186,807	20,853	3,894	203,766
Total capital assets, being depreciated, net	\$ 45,454	\$ (18,719)	\$ -0-	\$ 26,735

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Disposal Division Fund	Special Revenue Funds:	
	Federal Grants	\$ 1,890,964
	Neighborhood Policing Fund	86,615
	Nonmajor Enterprise Funds:	
	Golf Course	413,729
	Internal Service Funds:	
	Data Processing	658,820
	Central Maintenance Garage	314,809
	Pension Trust Funds:	
	Flint Employee's Retirement System	62,962
	Retiree Health Care	246,303
	Fiduciary Funds:	
	EDA Revolving Fund-County	3,304
Self Insurance Fund	Sewer Disposal Division Fund	15,700,000
		<u>\$19,377,506</u>

The interfund receivables in the Sewer Enterprise Fund were created through negative pooled cash in other funds and monies loaned for operating purposes. The interfund receivable in the self insurance fund represents charges for services due from the sewer fund not paid as of year end.

Note 3 - Detailed Notes on All Funds (Continued)

E. Interfund receivables, payables, and transfers (continued)

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government:		
State Grant Special Revenue Fund	Component Unit – DDA	\$767,837
Sewage Disposal Fund	Component Unit – EDC	14,764
		<u>\$782,601</u>
Component Unit:		
EDC	Miscellaneous Agency Fund	<u>\$ 65,119</u>

Advances to/from other funds:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Sewer Disposal Division Fund	Central Maintenance Fund	\$5,524,565
	Golf Course Fund	569,566
		<u>\$6,094,131</u>

The advances from the sewer fund to the central maintenance and golf course funds were utilized to purchase equipment. The advances are to be repaid over five years with all amounts being repaid in May 2011. An interest rate of 5.25% is being charged to the borrowing funds.

	<u>Transfer In</u>
Transfer out:	
General fund to non major governmental funds	\$ 906,256
Nonmajor governmental funds to non major governmental funds	400,000
Non major governmental funds to central garage internal service fund	<u>550,124</u>
Total transfers out	<u>\$1,856,380</u>

Transfers between funds were primarily for operating purposes or to cover operating deficits. The transfer from the Public Improvement Fund to the Central Garage Internal Service Fund was for the purchase of capital assets and is recorded as a capital contribution in the internal service fund.

Note 3 - Detailed Notes on All Funds (Continued)**F. Capital and Operating Leases**

The City has entered into agreements for the lease of automobiles, water treatment equipment, office equipment, construction equipment, fire equipment, and a fire station. The terms of each agreement provide options to purchase the fixed assets at any time during the lease terms, which range from three to five years. All of the leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "**Accounting for Leases**" which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. As such, \$4,283,182 has been capitalized as equipment and related accumulate depreciation was \$3,426,847.

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments as of June 30, 2007:

2008	\$1,500,564
2009	<u>75,544</u>
Total future minimum payments	1,576,108
Less amount representing interest	<u>(36,896)</u>
Long-term obligation under capital leases	<u><u>\$1,539,212</u></u>

Also, Hurley Medical Center and HHS lease office space and equipment under operating leases. Certain office space operating leases contain rental escalation clauses that are based on prime rate at a future date and purchase options at fair market value. The following is a schedule, by year, of future minimum rental payments required under noncancelable operating leases as of June 30, 2007:

2008	\$ 2,297,919
2009	1,989,436
2010	1,608,095
2011	1,197,382
2012	773,013
2013 and after	<u>2,422,131</u>
Total minimum payment required	<u><u>\$10,287,976</u></u>

Rental expense for all operating leases for the year ended June 30, 2007, was \$1,801,812.

G. Long-term Debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government. All Michigan Municipal Bond Authority debt is secured by future State of Michigan Revenue Sharing payments the City is entitled to receive under state law. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Note 3 - Detailed Notes on All Funds (Continued)

G. Long-term Debt (continued)

Long-term liability activity for the year ended June 30, 2007 is summarized as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds and Notes</u>	<u>Other Notes</u>	<u>Capital Leases</u>	<u>Accumulated Annual and Sick Pay</u>
Governmental Activities:					
Debt at July 1, 2006	\$ 6,765,000	\$ -	\$7,140,580	\$ -	\$ 8,831,380
New Debt:					
Annual and sick pay	-	-	-	-	5,485,900
Principal payments made	(1,275,000)	-	(364,226)	-	(5,023,935)
Total governmental activities long-term debt	5,490,000	-	6,776,354	-	9,293,345

The following is a summary of Business Type long-term liability activity of the City for the year ended June 30, 2007:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds and Notes</u>	<u>Other Notes</u>	<u>Capital Leases</u>	<u>Accumulated Annual and Sick Pay</u>
Proprietary Fund:					
Debt at July 1, 2006	1,688,571	105,849,432	332,985	3,446,408	-
New Debt:					
Principal payments made	(1,316,937)	(4,055,000)	(67,266)	(1,907,196)	-
Total business type activities long-term debt at June 30, 2007	371,634	101,794,432	265,719	1,539,212	-
Total long-term debt - all activities June 30, 2007	\$ 5,861,634	\$101,794,432	\$7,042,073	\$1,539,212	\$ 9,293,345

Note 3 - Detailed Notes on All Funds (Continued)

G. Long-term Debt (continued)

A summary of long-term liability transactions for the year ended June 30, 2007, and the composition of the June 30, 2007, long-term debt balance follows:

	Final Payment <u>Due</u>	Interest Rate or <u>Range</u>	Original Amount of <u>Issue</u>	Balance at June 30, <u>2006</u>	Issuances (Retirements) <u>During Year</u>
Governmental Activities:					
MEDC Economic Development loan	1/18	6%	\$ 767,837	\$ 767,837	\$ -
2004 Financial Recovery					
General Obligation United					
Tax Bonds	5/10	3-3.25	8,000,000	6,765,000	(1,275,000)
Section 108 loan	8/2016	Variable	2,624,000	2,096,000	(276,000)
Section 108 loan – 500 Block	8/07	Variable	3,840,000	3,840,000	-
Purchase contract	9/10	5.39	895,009	436,743	(88,226)
Accrued annual and sick pay				8,831,380	5,485,900
					(5,023,935)
Total governmental activities				<u>\$22,736,960</u>	<u>\$(1,177,261)</u>

Balance at June 30, <u>2007</u>	Due Within One <u>Year</u>
\$ 767,837	\$ 63,984
5,490,000	1,310,000
1,820,000	276,000
3,840,000	3,840,000
348,517	93,048
<u>9,293,345</u>	<u>5,000,000</u>
<u><u>\$21,559,699</u></u>	<u><u>\$10,583,032</u></u>

**Notes to Financial Statements
June 30, 2007**
Note 3 - Detailed Notes on All Funds (Continued)
G. Long-term debt (continued)

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Original Amount of Issue</u>	<u>Balance at June 30, 2006</u>	<u>Issuances (Retirements) During Year</u>
Business - Type Activities:					
Enterprise Funds:					
2001 MMBA Drinking Water Revolving Fund Revenue bonds	4/20	2.5	\$ 7,168,994	\$ 5,368,994	\$ (325,000)
2002 MMBA Drinking Water Revolving Fund Revenue Bonds	4/21	2.5	8,035,000	6,385,000	(355,000)
2003 MMBA Drinking Water Revolving Fund Revenue Bonds	4/22	2.5	8,974,581	7,434,581	(410,000)
2004 MMBA Drinking Water Revolving Fund Revenue Bonds	4/22	2.5	19,085,857	18,335,857	(770,000)
McCollum Avenue Drain Contract	5/10	5.10	1,500,000	483,571	(111,937)
Sewage Disposal	11/06	4.0-5.0	8,455,000	1,205,000	(1,205,000)
1995a Medical Center Revenue Refunding Bonds	7/07	6.0	16,445,000	1,130,000	(1,130,000)
1998a Medical Center Revenue Refunding Bonds	7/21	4.0-5.375	18,560,000	14,090,000	(645,000)
1998B Medical Center Revenue Refunding Bonds	7/29	4.0-5.375	20,570,000	18,105,000	(420,000)
2003 Medical Center Revenue Refunding Bonds	7/21	6.0-6.5	35,000,000	35,000,000	-
Purchase contract	9/01	5.39	596,672	332,985	(67,266)
Capital lease	2008	0.0	490,015	126,838	(116,824)
Capital lease	2009	4.7	8,000,000	2,843,833	(1,472,709)
Capital lease	11/07	4.5	2,549,202	463,863	(305,789)
Capital lease	2007	0.0	35,625	11,874	(11,874)
Total Business - Type Activities				<u>\$111,317,396</u>	<u>\$(7,346,399)</u>

Balance at June 30, <u>2007</u>	Due Within One <u>Year</u>
\$ 5,043,994	\$ 330,000
6,030,000	365,000
7,024,581	420,000
17,565,857	790,000
371,634	120,893
-	-
-	-
13,445,000	675,000
17,685,000	440,000
35,000,000	1,680,000
265,719	70,943
10,014	10,014
1,371,124	1,295,864
158,074	158,074
-	-
<u>\$103,970,997</u>	<u>\$6,355,788</u>

Note 3 - Detailed Notes on All Funds (Continued)

G. Long-term debt (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 5,583,032	\$ 365,509	\$ 6,355,787	\$ 4,522,314
2009	1,683,117	250,114	5,180,730	4,269,956
2010	1,733,478	198,838	5,314,274	4,032,072
2011	1,723,833	144,146	5,376,054	3,735,833
2012	234,986	114,537	5,565,000	3,535,438
2013-2017	1,163,935	492,245	31,905,000	13,181,286
2018-2022	143,973	6,719	33,433,994	4,648,412
2023-2027	-	-	8,270,439	85,385
2028-2030	-	-	2,569,719	-
Total	<u>\$12,266,354</u>	<u>\$1,572,108</u>	<u>\$103,970,997</u>	<u>\$38,010,696</u>

Section 7-302 of the City Charter, adopted November 4, 1975, limits "net" debt to 7% of the assessed value of all real and personal property in the City, but does not define "net" debt. The following computation is based on previous practice and is consistent with the requirements of State of Michigan Public Act 279 of 1909.

Assessed valuation at March 28, 2007	<u>\$2,071,644,100</u>
Legal debt limit - (7% of assessed valuation)	\$ 145,015,087
Total Bonded Debt at June 30, 2007	\$107,656,066
Less debt not subject to limitation under City charter and state statute:	
Revenue bonds and notes	<u>101,794,432</u>
Debt subject to limitation	<u>5,861,634</u>
Unused debt limitation	<u>\$ 138,153,453</u>

Drinking Water Revolving Fund Revenue Bonds and Financial Recovery Bonds:

The Drinking Water Revolving Fund Revenue Bonds and Financial Recovery Bonds issued by the Water Enterprise Fund and General Fund were issued by the State of Michigan and are secured by future State Revenue Sharing payments to be received by the City's General Fund.

Section 108 loan:

The Section 108 loans were obtained through an economic development loan program administered by the U.S. Department of Housing and Urban Development (HUD). Loans under the program are owed to HUD and are secured by future federal grant allocations to the City through the Community Development Block Grant Program.

Note 3 - Detailed Notes on All Funds (Continued)**G. Long-term Debt (continued)**

Advance refundings and defeasances:

During 1993, the City Council approved the advance refunding of the 1985 Tax Increment Finance Authority Buick City Refunding Bonds. The net proceeds of the sale of \$16.64 million 1993 Tax Increment Revenue Refunding Bonds were used to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The agreement between the City and the trustee stipulates that the liability will be liquidated at the original maturity dates through June 1, 2007, with the balance of the outstanding liability redeemed at that time. As a result, the bonds are considered to be defeased and the liability has been removed from the general long-term debt account group at June 30, 2007. The refunding bonds are secured by the full faith and credit of the City. The outstanding balance of the defeased bonds at June 30, 2007, is \$1,275,000.

Total defeased debt still outstanding at June 30, 2007:

Governmental activities	\$ 1,275,000
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H. Restricted assets

The balances of the restricted assets accounts in the governmental funds are as follows:

Federal Grants Fund:	
Mott Grant for University Park	\$ 65,960
Linden Maple Farm Project	69,218
Community Development	36,143
EDA Revolving Fund:	
Revolving Loan Funds	465,027
Major Streets Fund:	
Saginaw Street Improvements	<u>1,590,319</u>
Total restricted assets in governmental funds	<u>\$2,226,667</u>

The balances of the restricted asset accounts in the enterprise funds are as follows:

Hurley Medical Center:	
Equipment replacement and improvement	\$49,094,685
Self insurance	26,313,932
Revenue Bond Indenture – held by trustee	11,773,195
Children's Miracle Network	397,731
Water Supply Fund:	
Revenue bond equipment replacement account	2,191,751
Debt service reserve	<u>2,809,861</u>
Total restricted assets in enterprise funds	<u>\$92,581,155</u>

Note 4 - Other information

A. Deferred compensation

a. Deferred compensation - 457A Plans:

The City, Hurley Medical Center, and the Flint Downtown Development Authority all offer deferred compensation plans adopted in accordance with Internal Revenue Code Section 457A. The plans, available to substantially all employees, permit employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Section 457A Plans, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the sole benefit of the employees. The assets are not subject to the claims of the employer's general creditors.

Participants' rights created under the plan are equivalent to those of general creditors and only in an amount equal to the fair market value of the deferred account maintained with respect to each participant. It is the opinion of legal counsel that the employers have no liability for losses under the plans, but do have the duty of care that would be required of an ordinary prudent investor.

B. Retirement Plans and Other Post-employment Benefits

Detail of individual pension and benefit trust funds statements are as follows:

	Pension and Benefit Trust Funds				
	Flint Employee's Retirement System	Excess Pension Benefit	Death Benefit	Retiree Health Care	Health Benefits Plan and Trust
Assets					
Cash and cash equivalents	\$ 22,841,798	\$ -	\$ 20,051	\$ -	\$ 128,702
Investments:					
U.S. government obligations	97,222,107	-	-	-	671,656
Corporate bonds	148,160,730	-	-	-	-
Partnerships	42,278,544	-	-	-	-
Corporate stocks	450,182,777	-	1,142,311	-	1,516,817
Foreign stocks	62,471,560	-	-	-	-
Asset backed securities	7,586,013	-	-	-	-
Receivables:					
Accrued interest	1,596,375	-	-	-	-
Other	415	-	1,087	-	12,753
Prepaid costs	-	-	-	249,565	-
Cash and securities held as collateral for securities lending	125,209,031	-	-	-	-
Total assets	957,549,350	-	1,163,449	249,565	2,329,928
Liabilities					
Accounts payable	772,000	-	11,000	3,262	-
Due to other funds	62,962	-	-	246,303	-
Obligations under securities lending agreement	125,209,031	-	-	-	-
Total liabilities	126,043,993	-	11,000	249,565	-
Net Assets					
Held in trust for pension benefits and other employee benefits	\$ 831,505,357	\$ - 0 -	\$ 1,152,449	\$ - 0 -	\$ 2,329,928

**Notes to Financial Statements
June 30, 2007**

Note 4 - Other Information (Continued)

B. Retirement Plans and Other Post-employment Benefits (continued)

	Pension and Benefit Trust Funds				
	Flint Employee's Retirement System	Excess Pension Benefit	Death Benefit	Retiree Health Care	Health Benefits Plan and Trust
Additions					
Investment income:					
Interest	\$ 8,453,562	\$ -	\$ -	\$ -	\$ -
Dividends	4,090,110	-	18,850	-	28,288
Other income	616,781	-	-	-	-
Net increase in fair value of investments	91,233,740	-	72,706	-	574,590
Less investment expense	(3,667,932)	-	-	-	-
Net investment income	100,726,261	-	91,556	-	602,878
Contributions:					
Employer	8,259,933	39,782	-	18,327,532	-
Employee	3,520,935	-	24,245	399,026	300,432
Total additions	111,780,868	39,782	24,245	18,726,558	300,432
Securities lending income:					
Interest and fees	6,215,882	-	-	-	-
Less borrower rebates and bank fees	(6,047,996)	-	-	-	-
Net securities lending income	167,886	-	-	-	-
Total additions	112,675,015	39,782	115,801	18,726,558	903,310
Deductions					
Benefit payments	64,968,010	39,782	84,500	18,573,929	-
Refunds of contributions	845,817	-	-	-	-
Administrative expenses	36,213	-	299	152,629	-
Total deductions	65,850,040	39,782	84,799	18,726,558	-
Net Increase in Net Assets Held	46,824,975	-	31,002	-	903,310
Net Assets Held in Trust for Pension Benefits and Other Employee Benefits					
Beginning of year	784,680,382	-	1,121,447	-	1,426,618
End of year	\$ 831,505,357	\$ - 0 -	\$ 1,152,449	\$ - 0 -	\$ 2,329,928

Note 4 - Other Information (Continued)**B. Retirement Plans and Other Post-employment Benefits (continued)**

Significant details regarding the City's various retirement plans and other post-employment benefits are presented below:

I. Flint Employees' Retirement System:

The City of Flint Employees' Retirement System (FERS), a Single-Employer Public Employee Retirement System, covers substantially all employees of the City hired prior to October 1, 2003, including Hurley Medical Center, except certain firemen and policemen covered by the Charter Retirement Plan, and those employees that elect to participate in the Employees Defined Contribution - 401A Plan. The Retirement System is a blended component unit of the City of Flint. The plan was established by City ordinance and applicable state law, and is administered by a board of trustees. The City Council has the authority to amend the benefits offered. Investments of the plan are made through Bank One Trust Department and the Northern Trust. Employees who retire at or after age 55 (age 60 for certain Hurley Medical Center employees) with 10 years of credited service (8 years for appointed officials), or those members with 25 years credited service (23 years for police and fire), regardless of their age, are entitled to a retirement benefit. Certain police members can voluntarily retire at age 50 with 25 years of service. The retirement benefit can range from 1.7% to 2.6% of the participant's final average compensation based on the last three years (5 years for certain Hurley Medical Center employees) of credited service multiplied by the years of credit service depending on date of hire, and is payable monthly for life. Benefits fully vest on reaching 10 years of service with the benefit payable at age 55. The plan also provides death and disability benefits.

Member and employer contributions, benefits, and refunds are recognized when due. The investments are recorded on the balance sheet at fair value as determined by the custodian. The custodian utilizes electronic feeds from external pricing vendors for the majority of investments (95%). The remaining assets are valued through a variety of external sources. Gains and losses on the exchanges, or "swaps" of securities, are accounted for under the completed transactions method.

Membership in the plan at June 30, 2005, the date of the latest actuarial valuation, was comprised of 2,941 active plan members 334 inactive vested members and 3,054 retirees and beneficiaries receiving payments.

The Plan provides that the City and employees contribute amounts necessary to fund the actuarially determined benefits. Employees become members of FERS and are required to deposit amounts into the system based on rates determined by bargaining unit contracts of all compensation, including overtime. The employee contribution rates ranged from 0% to 9%. Deposits are accumulated in individual accounts for each member remaining in service. Upon termination, a member may withdraw the accumulated employee contributions plus any interest credited to his or her account.

Note 4 - Other Information (Continued)

B. Retirement Plans and Other Post-employment Benefits (continued)

I. Flint Employees' Retirement System (continued):

The City forwarded \$2,082,921 of pension contributions withheld from employees during the year ended June 30, 2007. During 2007, employer contributions rates ranged from .48% to 29.48% of covered payroll. The employer contributions funded retirement benefits, life insurance benefits, and the administration of the retirement system.

Actuarial assumptions:

Valuation date	June 30, 2005
Actuarial cost method	Hurley – individual entry age City – individual entry age
Amortization method	Level percent
Remaining amortization period	30 years (closed) – General, Fire and Hurley 10 years (closed) – Police
Asset valuation method	4 year smoothed market
Investment rate of return	8.0%
Projected salary increases	3.75% to 7.55%
Includes inflation at	3.75%

Annual pension cost:

Three year trend information regarding the annual pension cost (APC), percentage of APC contributed, and net pension obligation (NPO) are summarized as follows:

<u>Fiscal Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation (Asset) at June 30</u>
6/30/04	12/31/01	\$ 6,226,037	100%	\$ -
6/30/05	12/31/02	14,805,710	100	-
6/30/06	12/31/03	15,738,992	43	7,790,552
6/30/07	06/30/05	18,017,233	45	17,547,852

The net pension obligation at June 30, 2007 consists solely of amounts owed by Hurley Medical Center.

Note 4 - Other Information (Continued)**B. Retirement Plans and Other Post-employment Benefits (continued)**

1. Flint Employees' Retirement System (continued):

Annual pension cost (continued):

Annual pension cost	\$ 18,017,233
Amounts contributed	<u>(8,259,933)</u>
Increase in net pension obligation	9,757,300
Pension obligation – beginning of year	<u>7,790,552</u>
Pension obligation – end of year	<u>\$ 17,547,852</u>

Reserves: As of June 30, 2005 the plan's legally required reserves have been fully funded as follows:

Reserves for employees' contributions:	\$ 67,529,099
Reserves for employer contributions:	76,284,731
Reserve for retiree benefit payments:	640,457,303

2. Charter Retirement Plan:

The Charter Retirement Plan, a single employer defined benefit pension plan, covers firemen and policemen employed by the City prior to July 1, 1947. The plan was adopted under City code. All employees covered by this plan have retired. Benefits are provided under a special City ordinance with retirees receiving a monthly benefit. The current membership of the plan at June 30, 2007, is 10 members. The City intends to pay retirement benefits as they become due from future years' General Fund revenue. The City's contribution to the plan for the year ended June 30, 2007, was \$181,817 and was calculated based on the actual current pension benefits due to be paid. The present value of vested benefits has not been determined. The City has not requested an actuarial valuation of the plan since 1985 because of the decreasing nature and the immateriality of the plan's potential unfunded pension benefit obligation and the fact that the City is paying benefits as they become due. Net assets available for pension benefits at June 30, 2007 were \$-0-.

3. I.C.M.A. 401A Plan:

The City made available to appointed and elected officials hired through December 31, 2001 an alternative retirement plan to the general retirement pension plan. The plan was a non-contributory defined contribution plan adopted under City ordinance. The City contributes an amount equal to the lesser of 25% of the employee's compensation, or \$30,000. No employee contributions are required, and employees vest 100% immediately. Total contributions required and made by the City during the year ended June 30, 2007, were \$182,340, which represented 25% of current year covered payroll. The plan trustee is the International City Management Association. Financial transactions for the plan are accounted for in the I.C.M.A. 401A Plan Pension Trust Fund. Investments are stated at market which approximates cost. Total payroll and covered payroll for the year ended June 30, 2007, were \$51,590,168 and \$729,361 respectively.

Note 4 - Other Information (Continued)**B. Retirement Plans and Other Post-employment Benefits (continued)**

3. I.C.M.A. 401A Plan (continued):

On January 1, 2002, a new plan was adopted for appointed and elected officials. The City contributes 11% of employees' gross earnings and employees have a mandatory 4% contribution. Employee accounts are fully vested after 5 years of service. The current year contribution was calculated based on covered payroll of \$837,129 resulting in an employer contribution of \$92,084 and employee contribution of \$38,680.

4. Defined contribution retirement plans:

On December 3, 2003, a resolution was passed by City Council to establish a defined contribution 401 pension plan for members of AFSCME Local 1600 and Local 1799. Employees hired on or after October 1, 2003, are not eligible to participate in the Flint Employees Retirement System defined benefit pension plan. Employees hired prior to October 1, 2003 had the option of transferring assets from the defined benefit pension plan upon implementation of the defined contribution plan. The City contributes 10% of employees' gross earnings and employees have a mandatory 5% contribution. Employee accounts are fully vested after 5 years of service. The City's total payroll during the current year was \$51,590,168. The current year contribution was calculated based on covered payroll of \$2,928,063 resulting in an employer contribution of \$291,009 and employee contribution of \$155,540.

The City provides pension benefits to all of its full-time employees (or specific employee group, if applicable) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established by City ordinance (authority under which the pension obligation is established), the City contributes 11% to 14.5% of employees' gross earnings and employee mandatory contributions of 4% to 5.5% for each employee plus interest allocated to the employee's account are fully vested after 5 years of service.

The City's total payroll during the current year was \$51,590,168. The current year contribution was calculated based on covered payroll of \$540,414, resulting in an employer contribution of \$58,894 and employee contributions of \$25,694.

The Medical Center has a defined contribution plan for employees who meet certain requirements as to date of hire. Contributions to the plan are 4.5% of the employee's annual contribution. Each employee's interest is vested as specified in the plan. Pension expense included in the statements was \$691,163 for the year ended June 30, 2007.

5. Profit Sharing and 403(b) Plan

Hurley Health Services (HHS), a component unit of Hurley Medical Center, has a qualified 401(k) profit sharing plan for HPMS employees. Eligible employees, those that have attained the age of 21 and completed 90 days of service, may defer up to 15% of their salary. HHS may make a discretionary contribution. HHS's contribution to the 401(k) plan was \$46,588 for the year ended June 30, 2007. HHS also maintains two tax deferred annuity plans under section 403(b) of the Internal Revenue codes. Under the plans, HHS and THC employees may elect to defer up to a percentage of their salary, subject to the Internal Revenue Service limits. HHS may make a discretionary contribution. HHS's contribution to the 403(b) plan amounted to \$301,581 for the year ended June 30, 2007.

Note 4 - Other Information (Continued)

B. Retirement Plans and Other Post-employment Benefits (continued)

6. Excess Benefits Pension Plan:

The City established the City of Flint Excess Benefit Plan and Trust (the Plan) for the purpose of providing certain retiring employees with pension benefits in addition to those provided by the Flint Employees' Retirement System (FERS). Certain FERS participants receive an annual pension benefit that exceeds limits included in Section 415 of the Internal Revenue Code of 1986, as amended. Since the contractually required annual benefit exceeds Section 415 Limitations, the benefits cannot be funded through the FERS plan. The Excess Benefits Pension Plan and Trust was established as a separate pension trust to accumulate resources to pay these "excess" benefits on an annual basis.

Participation in the Plan is limited to FERS retirees whose benefit under the FERS defined benefit plan is limited by Section 415 of the Code and who retire at any time based on employment as a member of a bargaining unit represented by Local 1600 or Local 1799 of American Federation of State, County, and Municipal Employees. All employees covered by this plan have retired.

The annual benefit provided under the plan shall be the excess, if any, of each individual participant's benefit over the Section 415 limits in effect that calendar year. All benefits payable under this plan shall be paid in the same manner and form (using the same actuarial assumptions) as pension benefits paid under the FERS. Benefits shall be paid from the Plan once the member has received the maximum amount permitted within the limits of Code Section 415 during a plan year.

The Plan is intended to be funded on an annual basis via City contributions. There are no employee contributions to the Plan. The annual contribution will be determined by estimating the amount of "excess" benefits that will be paid out that calendar year. During the year ended June 30, 2007, employer contributions of \$39,782 were made to the plan and benefits of \$39,782 were paid out.

The City has not requested an actuarial valuation of the plan because of the immateriality of the plan's potential unfunded pension benefit obligation and the fact that the City is paying benefits as they become due. Net assets available for pension benefits at June 30, 2007 were \$-0-.

7. Retiree Death Benefits Plan:

The City provides post retirement death benefits to certain retirees who retired after July 1, 1978, under the terms of collective bargaining agreements with two employee unions. If the retiree was a member of one of the bargaining units at the time of retirement, his or her designated beneficiary will receive a death benefit at the time of the retiree's death. The death benefit ranges from \$2,500 to \$10,000 depending on the retirement date.

The benefits are funded in advance by employee withholdings and a matching employer contribution. The employee contributions are calculated at a set amount for each hour worked by union members during the biweekly pay period. The employee withholdings and matching employer contributions are deposited into a separate account for investment purposes. The investments are administered by a seven member board appointed by the two unions and the mayor.

Note 4 - Other Information (Continued)**B. Retirement Plans and Other Post-employment Benefits (continued)**

7. Retiree Death Benefits Plan (continued):

As of year end, there were 684 retirees who were eligible for this benefit. Employee and employer contributions for the year ended June 30, 2007, were both \$24,245. Net assets available for benefits, reported at fair value were \$1,162,362 at year end. No actuarial valuation has been performed to determine the present value of vested benefits. During 2007, death benefits of \$84,500 were paid.

8. Health Benefits Plan and Trust

The City established the City of Flint Retiree Health Care Plan and Trust (the Trust) for the purpose of providing health insurance benefits adopted by the City or approved by collective bargaining agreements to eligible retirees and their spouses. This is a defined contribution plan administered by the Trust. The benefits are provided to Local 1600 and Local 1799 retirees who retired on or after October 1, 2003 as provided for in collective bargaining agreements. The plan is constituted as a "voluntary employees beneficiary association (VEBA) under section 501(c) (9) of the Internal Revenue Code of 1986.

The collective bargaining agreements require a contribution of 1.5% of pre-tax compensation from employees belonging to AFSCME Local 1600 and Local 1799. The Plan does not currently require an employer contribution. The employee contributions and accumulated investment earnings are to be used to provide health care benefits above the capped level provided by the City's defined benefit retiree health care benefit plan.

During the year ended June 30, 2007, plan members contributed \$300,432. Net assets available for benefits was \$2,329,928 at June 30, 2007. No benefit payments were made during 2007.

9. Post-retirement health care benefits:

Hurley Medical Center:

Effective for retirements on or after July 1, 1983, Hurley Medical Center provides a portion of health insurance premiums for retired employees. The insurance premium for retired non-exempt employees is \$155 to \$1,834 per month to age 65 and a Medicare supplement after age 65. Retired exempt employees receive full or partial coverage, depending on date of employment, at no cost to the retiree. Retired non-exempt employees pay the full amount or a portion of the premium. No payment is made if the retired employee is covered under other employment. The estimated cost of such benefits is accrued based on a level percent of payroll. Accrued costs charged to expense were \$6,013,411 in the year ended June 30, 2007. The number of participants eligible to receive benefits was 598 in the year ended June 30, 2007. The Medical Center maintains a trust to be used for payment of the Medical Center's portion of health insurance premiums for retired employees.

Note 4 - Other Information (Continued)**B. Retirement Plans and Other Post-employment Benefits (continued)****10. Other Postemployment benefits**

Plan description: The City provides retiree health care benefits to eligible employees and their spouses. This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the Plan through employer contributions. Currently, the plan has 2,821 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

Funding policy: Retiree health care costs are recognized when paid by the City on a “pay-as-you-go” basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2007, the City made payments for postemployment health benefit premiums of \$18,573,929. The funding progress of the plan as of the most recent valuation date is as follows:

Valuation date	July 1, 2006
Actuarial value of assets	\$0
Actuarial accrued liability	787,695,883
Unfunded AAL	787,695,883
Funded ratio	0
Annual covered payroll	42,609,837
Ratio of UAAL to covered payroll	1849

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 13 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after fourteen years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2006 was 30 years.

Note 4 - Other Information (Continued)**C. Building department fund revenue and expenditures**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. A separate fund has been established to account for the construction code activity. The City chose the latter because historically the expenditures have exceeded revenue. The activity related to construction code activity for the year ended June 30, 2007 is as follows:

Shortfall at July 1, 2006	\$(2,114,728)
Revenue:	
Building permits	1,027,816
Federal revenue	1,502,934
Fines and Forfeitures	112,456
Charges for services	326,832
Other revenue	15,900
Expenditures	<u>(4,000,177)</u>
Cumulative shortfall at June 30, 2007	<u><u>\$(3,128,967)</u></u>

D. Summary disclosures of significant contingent liabilities

Federal, state, and local grants:

The City participates in a number of federally, state, and locally assisted grant programs, principally of which is the federally funded Community Development Block Grant. The programs are subject to compliance audits. In accordance with the Single Audit Act of 1984, compliance audits of federal grants were made during the current year and have been reported under a separate cover. However, specific grantors have yet to make final approval of the compliance audits. The amount, if any, of expenditures which may be disallowed by the grant agencies, cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Hurley's management believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Note 4 - Other Information (Continued)**E. Risk management**

Risk Management - primary government:

The City is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for fleet equipment and tort claims, boiler and machinery, certain property and equipment damage and theft, employee theft, and limited tort claims for specific City facilities or events. See separate disclosures below for Hurley Medical Center Enterprise Fund.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

The City is self insured for workmen's compensation on a pay as you go basis for claims up to \$500,000, with reinsurance coverage provided once claims exceed \$1,000,000 in the aggregate. The self insurance program is administered by a third party administrator. All workman's compensation benefits are paid out of the Fringe Benefits Internal Service Fund. The amount of estimated claims payable at June 30, 2007 was not material.

The City is self insured for active employee dental and eye care benefits on a pay as you go basis. The self insurance program is administered by a third party administrator. All claims and benefits are paid out of the Fringe Benefits Internal Service Fund. The amount of estimated claims payable at June 30, 2007 was not material.

The City pays unemployment claims on a reimbursement basis.

The City is self insured for medical benefits provided to active employees and retirees. The benefits are funded on a pay as you go basis. Claims are being paid out of the Fringe Benefits Internal Service Fund for active employee claims and out of the Retiree Health Care Trust Fund for retirees. The plans are administered by Blue Cross and Blue Shield and Health Plus of Michigan. Once the individual contract or aggregate stop loss amount is reached reinsurance provides the remaining benefits. The City has two health insurance plans that are self insured, Blue Cross/Blue Shield of Michigan (BCBSM) and HealthPlus. For the year ended June 30, 2007, the City paid out \$4,265,708 in claims and administration fees to HealthPlus. The City is protected from catastrophic claims by an excess insurance policy which provides \$2,000,000 in coverage per specific contract with a \$150,000 Self Insured Retention (SIR). The City did not have any claims in excess of the stop loss deductible during the year. The City paid BCBSM \$23,129,254 during the year for claims funding and administration. The self insured coverages provided through BCBSM were protected by Specific Stop Loss coverage, which provided an unlimited excess with a \$100,000 deductible. No claims payable exist at June 30, 2007 due to escrowed reserves maintained by the third party administrators. The City also provides fully insured HMO health insurance coverage to a limited number of employees. At June 30, 2007, there were 1,780 retirees that were receiving medical benefits.

Note 4 - Other Information (Continued)**E. Risk management (continued)**

The City has a commercial insurance policy that covers certain general tort liability. The per claim limit is \$1,000,000 with a \$500,000 deductible per occurrence and a \$3,000,000 aggregate claim annually. The commercial policy covers public officials, employment practices, employee benefits, law enforcement, and commercial auto.

The City is self insured for other potential claims not covered by the commercial policy. The Hurley Medical Center Enterprise Fund is also self insured for a number of risks. The amounts below include all general liability claims against the City except for those related to Hurley Medical Center. Details regarding Hurley's self insurance practices are detailed separately. The City has estimated the claims that have been incurred through the end of the year, including both those claims that have been reported as well as those that have not yet been reported to the City. The estimate is based on legal counsel's recommendation and past settlement history. The estimated liability does not include any incremental costs. The amounts below include all general liability claims against the City except for those related to Hurley Medical Center. Hurley administers its own risk management program and details regarding Hurley's self insurance practices are detailed separately.

These claim estimates are recorded as accounts payable in the Self Insurance Internal Service Fund. Changes in the estimated liability as well as the total estimated costs (based on prior history and claims presented) of claims for the past fiscal year for the City, exclusive of the Hurley medical Center Enterprise Fund, were as follows:

	<u>Fiscal Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Estimated liability, beginning of year	\$3,683,443	\$3,683,443
Estimated claims incurred, including changes in estimates	15,974,925	1,290,960
Claims payments	<u>(958,368)</u>	<u>(1,290,960)</u>
Estimated liability, end of year	<u>\$18,700,000</u>	<u>\$3,683,443</u>

Hurley Medical Center Enterprise Fund:

Hurley Medical Center is self insured for all general liabilities claims including hospital professional and patient general liability exposures separate from other City risk management programs. The Medical Center has established a Self-insurance Trust to assist in accumulating resources to fund excess-insurance premiums and to pay claims.

The Medical Center's self insured retention is \$6 million for the first annual occurrence and \$4 million for each additional occurrence annually with excess claims made coverage up to \$15 million annually. Claims in excess of \$15 million are to be covered by the Medical Center. The Medical Center employs the use of an actuary to provide an analysis of the existing claims and to estimate the liability for incurred but not reported (IBNR) claims.

Note 4 - Other Information (Continued)**E. Risk management (continued)**

Hurley Medical Center Enterprise Fund (continued):

The carrying amount of liabilities for unpaid claims amounted to \$35,022,210 at June 30, 2007.

The following represents the change in the aggregate liabilities for claims and defense costs payable for the years ended June 30, 2007 and 2006.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Balance - beginning of year	\$32,996,608	\$25,242,445
Claims paid	(2,568,757)	(2,938,750)
Defense costs and other fund expenses	(1,427,357)	(1,461,412)
Excess insurance premium payments	(1,652,300)	(1,652,230)
Increase in claims liability	<u>7,674,016</u>	<u>13,806,555</u>
Balance - end of year	<u>\$35,022,210</u>	<u>\$32,996,608</u>
Insurance Trust assets (at market) - end of year	<u>\$15,247,738</u>	<u>\$ 12,295,712</u>

Malpractice claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing, including some that have been brought to trial. Counsel is unable to conclude about the ultimate outcome of the actions, however, it is probable that certain actions will result in unfavorable settlements for the Medical Center. There also are known incidents occurring through June 30, 2007 that may result in the assertion of additional claims. Management is of the opinion that the settlement of those claims probable of unfavorable outcome, as well as the settlement, if any, of such other asserted and unasserted claims, are within the self-insurance limits. Consequently, management believes that such settlements will not significantly affect the Medical Center's financial results. The Medical Center maintains an irrevocable trust to be used for the payment of settlements. The Medical Center funds the trust based upon an annual actuarial determination. The Medical Center has a stop loss insurance policy relating to malpractice claims which limits the claims that are paid from the irrevocable trust.

Risk Management - component units:

The Flint Economic Development Corporation is exposed to various risks of loss related to property loss, torts, and error and omissions. The Corporation has purchased commercial insurance for these risks associated with a small business incubator facility which leases commercial and light industrial space to new businesses. Since the Corporation occupies premises located in the City of Flint Municipal Center and all Corporation personnel are employees of the City, any losses related to general liability, employee injuries, workman's compensation, and employee medical benefits are covered by City self insurance risk management programs. No claims related to Corporation activities have been presented to the City as of June 30, 2007.

The Downtown Development Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Authority has purchased commercial insurance coverage through various policies for general liability on all Authority-owned property and workmen's compensation. Settled claims for the commercial insurance have net exceeded the amount of coverage in any of the past three years. There were no reductions in coverage during the current year.

Note 4 - Other Information (Continued)**E. Risk management (continued)**

Risk Management - component units (continued):

The Flint Area Enterprise Community is exposed to various risks of loss related to property loss, torts, and errors and omissions. The FAEC has purchased commercial insurance coverage through various policies for general liability on all FAEC-owned property and workmen's compensation. Settled claims for the commercial insurance have net exceeded the amount of coverage in any of the past three years. There were no reductions in coverage during the current year.

F. Commitments

As of June 30, 2007, Hurley Practice Management Services (HPMS) is contingently liable as guarantor with respect to 50% of \$4,554,485 of indebtedness of Hurley/Binson's Medical Equipment, Inc. HPMS owns 50% of Hurley/Binson's Medical Equipment, Inc. As of June 30, 2007, HPMS had written off the investment in Hurley/Binson's Medical Equipment, Inc. due to continuing operating losses. No material loss is anticipated by reason of such guarantee. There are no recourse rights in the event of default by Hurley/Binson's Medical Equipment, Inc. Hurley/Binson's Medical Equipment, Inc. was not in compliance with loan covenants related to tangible capital funds and debt service payments as of June 30, 2007 and the bank waived the violation of the covenants.

The future minimum payments related to the above are:

2008	\$3,229,824
2009	209,000
2010	167,333
2011	84,000
2012	<u>864,328</u>
Total future minimum payments	<u><u>\$4,554,485</u></u>

G. Related party transactions

The Medical Center provides services to one of its joint ventures, HGH, Inc. As of June 30, 2007, the net settlement receivable from HGH, Inc. was \$1,831,221 and is included in patient accounts receivable on the balance sheet. The net patient revenue recorded from HGH, Inc. was \$18,591,603 for the year ended June 30, 2007.

Included in other operating revenues of HHS are management fees and marketing fees for services rendered paid by Hurley/Binson's Medical Equipment, Inc., a related party to HPMS. Management fee and marketing income from Hurley/Binson's Medical Equipment, Inc. for the year ended June 30, 2007 amounted to \$84,000. HPMS and HHS purchase courier services from Hurley/Binson's Medical Equipment, Inc. in the amount of \$240,000 annually.

Note 4 - Other Information (Continued)**H. IFT/CFT contingency**

The City collects industrial facility taxes (IFT) and commercial facility taxes (CFT) on behalf of all taxing jurisdictions. For the tax years 1995 through 2000 the IFT and CFT's were distributed to the various taxing jurisdictions based on guidance from the State of Michigan. During fiscal 2003, the State of Michigan finalized their audit of the distribution of the 1995 through 2000 IFT and CFT taxes. Their audit showed the taxes had been over distributed to the City of Flint School District, Genesee Intermediate School District, Michigan Educational Trust and under paid to the Michigan Department of Treasury. How to pay the Michigan Department of Treasury and correct the distribution of these taxes is currently under negotiation.

I. Interest rate swap

The Medical Center entered into an interest rate swap agreement with a swap provider. At June 30, 2007, the notional principal amount of the Medical Center's portion of the outstanding interest rate swap agreement was \$35 million. The agreement effectively changes the Medical Center's interest rate exposure on \$35 million of fixed percent bonds due July 1, 2008 and July 1, 2020 to a variable rate. The interest rate swap agreement matures on July 1, 2014. Unrealized losses on the swap agreement of \$1,360,492 as of June 30, 2007, have not been recorded in accordance with governmental accounting standards.

J. Upcoming reporting changes

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pension*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2008. Management is currently assessing the impact of this new accounting standard on the City's financial statement for future reporting periods.

K. Subsequent event

On December 13, 2007 the City authorized the issuance of \$10,000,000 of revenue sharing bonds for the construction of a parking ramp.

Required Supplementary Information

**Required Supplementary Information
Analysis of Funding Progress
June 30, 2007****General, Police, Fire, and Hurley Pension Plans
Schedule of Funding Progress
(\$ Amounts in Thousands)**

<u>Actuarial Valuation Year Ended</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Attained Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll ((b-a)/c)</u>
2000	\$880,406	\$887,022	\$ 6,616	99.25%	\$160,047	4.13%
2001	906,960	892,262	(14,698)	101.65	151,507	(9.70)
2002	871,274	955,306	84,032	91.20	146,558	57.34
2003	822,813	981,884	159,071	83.80	148,997	106.76
2004	803,420	971,686	168,266	82.68	150,429	111.86
2005	784,271	985,338	201,067	79.59	148,319	135.50

The actuarial methods used to determine the Actuarial Accrued Liability was the individual entry age actuarial funding methods. Unfunded actuarial accrued liabilities are being amortized as a level percent of projected payroll over 17 years for general police, and fire. Significant actuarial assumptions used in the computation of the accrued actuarial liability include: (1) a rate of return on the investment or present and future assets of 8.0% per year compounded annually, (2) projected salary increases of 3.75% to 7.55% per year compounded annually, and 3.75% inflation.

The Actuarial Value of Assets was computed on fair values "smoothed" over a four year period..

**Required Supplementary Information
Schedule of Employer Contributions
June 30, 2007****General, Police, Fire, and Hurley Pension Plans
Schedule of Employer Contribution**

<u>Fiscal Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>% of ARC Contributed</u>	<u>Net Pension Obligation (Asset) at June 30</u>
6/30/01	12/31/98	\$14,569,092	100%	\$ -
6/30/02	12/31/99	11,496,879	100	-
6/30/03	12/31/00	6,588,897	100	-
6/30/04	12/31/01	6,226,037	100	-
6/30/05	12/31/02	14,805,710	100	-
6/30/06	12/31/03	15,738,992	51	7,790,552*
6/30/07	06/30/05	18,017,233	45	17,547,852*

* All net pension obligation is owed by Hurley Medical Center.

City of Flint, Michigan

General Fund Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Taxes				
Property taxes	\$ 13,400,114	\$ 13,400,114	\$ 12,841,993	\$ (558,121)
Income taxes	19,570,000	19,570,000	18,717,312	(852,688)
Intergovernmental				
Federal revenue	1,620,985	2,285,430	1,973,490	(311,940)
State revenue	20,161,772	20,243,611	19,409,799	(833,812)
Special assessments	350,000	350,000	54,225	(295,775)
Licenses and permits	1,184,660	1,184,660	1,149,319	(35,341)
Fines and forfeits	2,934,051	2,934,051	3,135,879	201,828
Charges for services	9,192,773	9,192,648	9,682,953	490,305
Local grant revenue	447,661	732,209	463,969	(268,240)
Interest	815,000	815,000	949,325	134,325
Other	836,352	825,582	833,749	8,167
Total revenue	70,513,368	71,533,305	69,212,013	(2,321,292)
Expenditures				
Current:				
Legislative - City Council	1,151,032	1,171,097	1,100,228	70,869
Judicial-68th District Court	5,899,288	5,901,122	5,834,563	66,559
General government:				
Contributions to agencies and others	298,250	298,250	295,000	3,250
Civil Service	212,710	212,710	180,332	32,378
Human Relations	158,563	167,097	164,002	3,095
Mayor's office	903,614	903,614	865,849	37,765
Finance	6,093,004	6,183,372	5,512,588	670,784
Community service	474,394	475,061	382,325	92,736
City Clerk	1,220,499	1,223,071	1,078,121	144,950
Human Resources	1,067,666	1,067,986	961,739	106,247
Office of the Ombudsman	230,000	230,000	221,601	8,399
City Administrator	331,554	331,554	331,004	550
Union Representatives	307,725	307,725	341,451	(33,726)
Law office	1,414,549	1,418,726	1,310,091	108,635
Administration	424,650	546,758	462,362	84,396
Total general government	13,137,178	13,365,924	12,106,465	1,259,459

(continued)

City of Flint, Michigan

General Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (continued) Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Public Safety:				
Police Department	28,246,145	28,967,788	27,165,210	1,802,578
Emergency dispatch	2,763,557	2,763,557	2,853,768	(90,211)
Fire Department	13,960,178	13,961,039	14,730,348	(769,309)
Total Public Safety	44,969,880	45,692,384	44,749,326	943,058
Transportation	2,000,000	2,900,386	2,107,740	792,646
Community development	1,242,838	1,772,488	1,584,992	187,496
Parks and Recreation	3,189,725	3,318,957	3,425,428	(106,471)
Total expenditures	71,589,941	74,122,358	70,908,742	3,213,616
Excess of Revenue Over (Under) Expenditures	(1,076,573)	(2,589,053)	(1,696,729)	892,324
Other Financing Sources (Uses)				
Sale of capital assets	10,000	10,000	39,425	29,425
Transfers out	(381,748)	(831,748)	(906,256)	(74,508)
Total other financing sources (uses)	(371,748)	(821,748)	(866,831)	(45,083)
Net Change in Fund Balance	(1,448,321)	(3,410,801)	(2,563,560)	847,241
Fund Balance - Beginning of year	8,915,254	8,915,254	8,915,254	-
Fund Balance - End of year	\$ 7,466,933	\$ 5,504,453	\$ 6,351,694	\$ 847,241

Combining Fund Statements and Fund Descriptions

Nonmajor Governmental Funds Summary Descriptions June 30, 2007

Special Revenue Funds

The Major Streets Fund accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local government units.

The Local Streets Fund accounts for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local government units.

The Federal Grants Fund accounts for entitlement and specific purpose grants received from the U.S. Department of Housing and Urban Development and other grantors.

The Neighborhood Policing Fund is used to account for a special property tax levy approved by voters to provide additional police protection for neighborhoods.

The State Act 251-Forfeitures Fund is used to account for proceeds from the sale of confiscated property seized in drug related crimes.

The State Grants Fund was established to account for the receipt and disbursement of grants received from the State of Michigan for economic development.

The EDA Revolving Loan Fund is used to account for monies received from the U.S. Economic Development Administration. The grant was used to establish a revolving loan fund to loan money to economic development projects which meet program criteria.

The Atwood Stadium Fund receives revenue from admission charges and other activities at Atwood Stadium. All expenditures of this fund are for capital improvements at the stadium.

The Local Law Enforcement Grant Fund was established to account for the federal block grant received for law enforcement activities.

The Parks and Recreation Fund was established to account for the annual ½ mill tax levy for the purpose of providing dedicated funds for the improvement and maintenance of City parks, forestry and recreation services. This tax levy is for a period of 10 years 1997 through 2007.

The Senior Citizen Centers was established to account for grants received from Genesee County for senior citizen services.

The City Park Fund was established to account for transactions related to the appraisal and sale of certain City owned property. Proceeds of the land sales are restricted to improvements of City parks.

(continued)

City of Flint, Michigan

Nonmajor Governmental Funds Summary Descriptions (Continued) June 30, 2007

Special Revenue Funds – (continued)

The Longway Park Fund is used to account for monies received from a charitable trust. Use of the monies has been restricted to projects at certain city parks.

The Building Department Fund accounts for the operational revenues and expenditures of the City's code inspection and building inspection department.

The Garbage Collection Fund accounts for a special property tax millage allowed to provide garbage and compost collection services.

Debt Service Funds

The Hyatt Debt Service Fund was established to accumulate resources for the payment of the tax increment bond issue utilized to finance a portion of the construction of a downtown hotel and convention center.

The Windmill Place Debt Service Fund was established to accumulate resources for the payment of the tax increment bond issue utilized to finance the construction of Windmill Place, a festival marketplace.

The Buick City Debt Service Fund was established to accumulate resources for the payment of the tax increment bond issue utilized to finance the Buick City improvements.

Capital Projects Fund

The Public Improvement Fund was established to account for the annual 2-1/2 mill tax levy reserved by Section 7-201 of the City Charter for capital improvements and servicing of general obligation debt.

City of Flint, Michigan

Nonmajor Proprietary Funds Summary Descriptions June 30, 2007

The Golf Course Fund is used to account for the operation of the four city-owned golf courses. Most revenues are derived from greens and rental fees. Operations are managed by City employees.

City of Flint, Michigan

Internal Service Funds Summary Descriptions June 30, 2007

The Data Processing Fund distributes the costs of central data processing services to the various user departments.

The Fringe Benefits Fund is used as a clearing account for the City's payroll and related fringe benefits, and to make payments for worker's compensation claims. Monies are accumulated in this fund as a result of payroll allocations made on a departmental and/or bargaining unit basis.

The Central Maintenance Garage Fund accounts for the costs of vehicles and equipment provided to City funds.

The Self-Insurance Fund was established to accumulate monies which are available to settle claims against the City when no insurance coverage exists and to make insurance premium payments. The fund is reimbursed by the user departments for insurance premium payments made and monies accumulated for self-insurance.

Pension and Benefit Trust Funds

The Flint Employees' Retirement System Fund is used to account for the financial operations of the Flint Employees' Retirement System. The system is administered by a nine-member board of trustees while the City acts as the custodian of the system.

The Excess Pension Benefit Fund was established to provide certain retiring employees with pension benefits in addition to those provided by the Flint Employees' Retirement System.

The Death Benefits Trust Fund was established to provide beneficiaries of retired and active employees with cash benefits to aid in funeral expenses. The employer and employees contribute equally to fund the amount necessary to provide the benefit.

The Retiree Health Care Fund accounts for the funding and expenditures related to providing health care benefits to retirees.

The Health Benefit Plan and Trust was established for the purpose of providing health insurance benefits in accordance with collective bargaining agreements for eligible retirees through employee contributions.

Agency Funds

The Miscellaneous Agency Fund is used to account for delinquent property taxes levied by other taxing units and other assets held by the City as an agent for individuals, private organizations, other governments, and other funds.

The County Revolving Loan Fund is used to account for monies held in an agency capacity for the use of the Genesee County Economic Development Corporation.

City of Flint, Michigan

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue		
	Major Streets	Local Streets	Federal Grants
Assets			
Pooled cash and investments	\$ 5,835,018	\$ 3,423,409	\$ -
Cash and cash equivalents	60	-	1,674,172
Taxes receivable	-	-	-
Accounts receivable (net of allowance for estimated uncollectible accounts of \$153,483)	30,964	-	-
Notes receivable (net of allowance for uncollectible accounts of \$3,278,743)	-	-	3,840,000
Due from other governments (net allowance of \$67,214)	1,351,354	339,133	2,099,789
Due from component unit	-	-	-
Inventories	87,152	-	-
Restricted pooled cash and investments	1,590,319	-	171,321
Total assets	\$ 8,894,867	\$ 3,762,542	\$ 7,785,282
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,420,933	\$ 13,920	\$ 713,175
Deposits payable	-	-	-
Retainer payable	22,831	-	10,993
Due to other funds	-	-	1,890,964
Due to other governments	-	-	-
Deferred revenue	204,322	-	4,353,405
Total liabilities	1,648,086	13,920	6,968,537
Fund Balances			
Reserved for encumbrances	2,159,598	-	-
Reserved for long term receivable	-	-	-
Reserved for inventory	87,152	-	-
Reserved for Saginaw street repairs	1,590,319	-	-
Unreserved:			
Designated for subsequent years' expenditures	1,324,745	1,342,347	536,651
Undesignated	2,084,967	2,406,275	280,094
Total fund balances	7,246,781	3,748,622	816,745
Total liabilities and fund balances	\$ 8,894,867	\$ 3,762,542	\$ 7,785,282

Special Revenue				
Neighborhood Policing	State Act 251- Forfeitures	State Grants	EDA Revolving Loan	Atwood Stadium
\$ -	\$ 1,158,011	\$ -	\$ 54,099	\$ 6,101
-	-	-	348,263	-
383,725	-	-	-	-
90,542	-	-	-	-
-	-	-	219,629	-
-	-	-	-	-
-	-	767,837	-	-
-	-	-	-	-
-	-	-	465,027	-
\$ 474,267	\$ 1,158,011	\$ 767,837	\$ 1,087,018	\$ 6,101
\$ 3,925	\$ 11,439	\$ -	\$ -	\$ -
-	715,700	-	-	-
-	-	-	-	-
86,615	-	-	-	-
-	27,575	-	-	-
383,727	-	767,837	219,629	-
474,267	754,714	767,837	219,629	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	98,510	-	601,700	-
-	304,787	-	265,689	6,101
-	403,297	-	867,389	6,101
\$ 474,267	\$ 1,158,011	\$ 767,837	\$ 1,087,018	\$ 6,101

(continued)

City of Flint, Michigan

Combining Balance Sheet Nonmajor Governmental Funds (continued) June 30, 2007

	Special Revenue		
	Parks & Recreation Fund	Senior Citizen Centers	City Park
Assets			
Pooled cash and investments	\$ 693,257	\$ 90,245	\$ 7,547
Cash and cash equivalents	-	-	-
Taxes receivable	96,243	-	-
Accounts receivable (net of allowance for estimated uncollectible accounts of \$153,483)	-	-	-
Notes receivable (net of allowance for uncollectible accounts of \$3,278,743)	-	-	-
Due from other governments (net allowance of \$67,214)	-	-	-
Due from component unit	-	-	-
Inventories	-	-	-
Restricted pooled cash and investments	-	-	-
Total assets	\$ 789,500	\$ 90,245	\$ 7,547
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 172,429	\$ 3,766	\$ -
Deposits payable	-	-	-
Retainer payable	7,832	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue	96,243	86,479	-
Total liabilities	276,504	90,245	-
Fund Balances			
Reserved for encumbrances	-	-	-
Reserved for long term receivable	-	-	-
Reserved for inventory	-	-	-
Reserved for Saginaw street repairs	-	-	-
Unreserved:			
Designated for subsequent years' expenditures	512,996	-	-
Undesignated	-	-	7,547
Total fund balances	512,996	-	7,547
Total liabilities and fund balances	\$ 789,500	\$ 90,245	\$ 7,547

Special Revenue			Debt Service		
Longway Park	Building Department	Garbage Collection	Hyatt Debt Service	Windmill Place Debt Service	Buick City Debt Service
\$ 8,421	\$ 115,763	\$ 104,423	\$ -	\$ 6,520	\$ 547
-	-	-	-	-	-
-	-	324,809	974	3,885	39,627
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 8,421	\$ 115,763	\$ 429,232	\$ 974	\$ 10,405	\$ 40,174
\$ -	\$ 94,661	\$ 88,801	\$ -	\$ -	\$ -
-	-	-	-	-	-
6,858	21,102	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	324,809	974	3,885	39,627
6,858	115,763	413,610	974	3,885	39,627
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,563	-	15,622	-	6,520	547
1,563	-	15,622	-	6,520	547
\$ 8,421	\$ 115,763	\$ 429,232	\$ 974	\$ 10,405	\$ 40,174

(continued)

City of Flint, Michigan

Combining Balance Sheet Nonmajor Governmental Funds (continued) June 30, 2007

	Capital Projects	
	Public Improvement	Total Nonmajor Governmental Funds
Assets		
Pooled cash and investments	\$ 3,929,001	\$ 15,432,362
Cash and cash equivalents	-	2,022,495
Taxes receivable	483,360	1,332,623
Accounts receivable (net of allowance for estimated uncollectible accounts of \$153,483)	-	121,506
Notes receivable (net of allowance for uncollectible accounts of \$3,278,743)	1,336,000	5,395,629
Due from other governments (net allowance of \$67,214)	-	3,790,276
Due from component unit	-	767,837
Inventories	-	87,152
Restricted pooled cash and investments	-	2,226,667
Total assets	\$ 5,748,361	\$ 31,176,547
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 13,613	\$ 2,536,662
Deposits payable	-	715,700
Retainer payable	-	69,616
Due to other funds	-	1,977,579
Due to other governments	-	27,575
Deferred revenue	483,360	6,964,297
Total liabilities	496,973	12,291,429
Fund Balances		
Reserved for encumbrances	14,276	2,173,874
Reserved for long term receivable	1,336,000	1,336,000
Reserved for inventory	-	87,152
Reserved for Saginaw street repairs	-	1,590,319
Unreserved:		
Designated for subsequent years' expenditures	3,102,507	7,519,456
Undesignated	798,605	6,178,317
Total fund balances	5,251,388	18,885,118
Total liabilities and fund balances	\$ 5,748,361	\$ 31,176,547

City of Flint, Michigan

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue		
	Major Streets	Local Streets	Federal Grants
Revenue			
Property taxes	\$ -	\$ -	\$ -
Federal revenue	-	400,000	5,697,678
State revenue	7,591,361	2,485,492	-
Local revenue	-	-	104,747
Licenses and fees	-	-	-
Fines and forfeits	-	-	-
Charges for services	-	-	26,000
Interest	420,062	155,441	279,048
Other	291,247	107,435	4,660
Total revenue	8,302,670	3,148,368	6,112,133
Expenditures			
General government	-	-	-
Police	-	-	-
Fire	-	-	-
Emergency dispatch	-	-	-
Building inspection	-	-	-
Transportation	11,130,260	3,569,351	-
Public works	-	-	-
Parks and recreation	-	-	-
Community development and enrichment	-	-	5,740,632
Debt Service:			
Principal retirement	-	-	276,000
Interest and fiscal charges	-	-	319,843
Total expenditures	11,130,260	3,569,351	6,336,475
Excess of Revenue Over (Under) Expenditures	(2,827,590)	(420,983)	(224,342)
Other Financing Sources (Uses)			
Transfers in	-	400,000	-
Transfers out	(400,000)	-	-
Total other financing sources (uses)	(400,000)	400,000	-
Net Change in Fund Balances	(3,227,590)	(20,983)	(224,342)
Fund Balances - Beginning of year	10,474,371	3,769,605	1,041,087
Fund Balances - End of year	<u>\$ 7,246,781</u>	<u>\$ 3,748,622</u>	<u>\$ 816,745</u>

Special Revenue

Neighborhood Policing	State Act 251 - Forfeitures	EDA Revolving Loan	Atwood Stadium	Local Law Enforcement Grant	Parks & Recreation Fund
\$ 3,270,368	\$ -	\$ -	\$ -	\$ -	\$ 817,309
-	-	-	-	52,882	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	269,537	-	-	-	-
-	72,675	-	-	-	-
23,682	55,721	49,295	294	11,800	51,715
271,623	51,564	199,114	-	-	-
3,565,673	449,497	248,409	294	64,682	869,024
-	-	-	-	-	-
3,568,972	309,418	-	-	64,682	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,658,779
-	-	261,533	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,568,972	309,418	261,533	-	64,682	1,658,779
(3,299)	140,079	(13,124)	294	-	(789,755)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(3,299)	140,079	(13,124)	294	-	(789,755)
3,299	263,218	880,513	5,807	-	1,302,751
\$ - 0 -	\$ 403,297	\$ 867,389	\$ 6,101	\$ - 0 -	\$ 512,996

(continued)

City of Flint, Michigan

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2007

	Special Revenue		
	Senior Citizen Centers	City Park	Longway Park
Revenue			
Property taxes	\$ -	\$ -	\$ -
Federal revenue	-	-	-
State revenue	-	-	-
Local revenue	65,195	-	-
Licenses and fees	-	-	-
Fines and forfeits	-	-	-
Charges for services	-	-	-
Interest	-	363	405
Other	-	-	-
Total revenue	65,195	363	405
Expenditures			
General government	-	-	-
Police	-	-	-
Fire	-	-	-
Emergency dispatch	-	-	-
Building inspection	-	-	-
Transportation	-	-	-
Public works	-	-	-
Parks and recreation	65,195	-	-
Community development and enrichment	-	-	-
Debt Service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	65,195	-	-
Excess of Revenue Over (Under) Expenditures	-	363	405
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net Change in Fund Balances	-	363	405
Fund Balances - Beginning of year	-	7,184	1,158
Fund Balances - End of year	\$ - 0 -	\$ 7,547	\$ 1,563

Special Revenue		Debt Service		
Building Department	Garbage Collection	Hyatt Debt Service	Windmill Place Debt Service	Buick City Debt Service
\$ -	\$ 4,897,431	\$ -	\$ -	\$ 32
1,502,934	50,000	-	-	-
-	-	-	-	-
-	-	-	-	-
1,027,816	5,600	-	-	-
112,456	-	-	-	-
326,832	-	-	-	-
-	56,532	-	314	-
15,900	944	-	-	-
2,985,938	5,010,507	-	314	32
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,943,583	-	-	-	-
-	-	-	-	-
-	4,995,221	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
56,594	-	-	-	-
4,000,177	4,995,221	-	-	-
(1,014,239)	15,286	-	314	32
906,256	-	-	-	-
-	-	-	-	-
906,256	-	-	-	-
(107,983)	15,286	-	314	32
107,983	336	-	6,206	515
\$ - 0 -	\$ 15,622	\$ - 0 -	\$ 6,520	\$ 547

(continued)

City of Flint, Michigan

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (continued)

Nonmajor Governmental Funds

Year Ended June 30, 2007

	Capital Projects	
	Public Improvement	Total Nonmajor Governmental Funds
Revenue		
Property taxes	\$ 4,087,364	\$ 13,072,504
Federal revenue	136,907	7,840,401
State revenue	-	10,076,853
Local revenue	-	169,942
Licenses and fees	-	1,033,416
Fines and forfeits	-	381,993
Charges for services	-	425,507
Interest	216,174	1,320,846
Other	-	942,487
Total revenue	4,440,445	35,263,949
Expenditures		
General government	361,953	361,953
Police	394,998	4,338,070
Fire	53,268	53,268
Emergency dispatch	136,907	136,907
Building inspection	-	3,943,583
Transportation	-	14,699,611
Public works	-	4,995,221
Parks and recreation	108,364	1,832,338
Community development and enrichment	-	6,002,165
Debt Service:		
Principal retirement	1,363,228	1,639,228
Interest and fiscal charges	209,780	586,217
Total expenditures	2,628,498	38,588,561
Excess of Revenue Over (Under) Expenditures	1,811,947	(3,324,612)
Other Financing Sources (Uses)		
Transfers in	-	1,306,256
Transfers out	(550,124)	(950,124)
Total other financing sources (uses)	(550,124)	356,132
Net Change in Fund Balances	1,261,823	(2,968,480)
Fund Balances - Beginning of year	3,989,565	21,853,598
Fund Balances - End of year	\$ 5,251,388	\$ 18,885,118

City of Flint, Michigan

Major Streets Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance With Amended Budget
	Original	Amended		
Revenue				
State revenue	\$ 7,360,169	\$ 7,360,169	\$ 7,591,361	\$ 231,192
Interest	200,000	200,000	420,062	220,062
Other	273,000	273,000	291,247	18,247
Total revenue	7,833,169	7,833,169	8,302,670	469,501
Expenditures				
Transportation	11,316,705	16,088,233	11,130,260	4,957,973
Debt service	-	136,531	-	136,531
Total expenditures	11,316,705	16,224,764	11,130,260	5,094,504
Excess of Revenue Over (Under) Expenditures	(3,483,536)	(8,391,595)	(2,827,590)	5,564,005
Other Financing Uses				
Transfers out	-	(400,000)	(400,000)	-
Net Change in Fund Balances	(3,483,536)	(8,791,595)	(3,227,590)	5,564,005
Fund Balance - Beginning of year	10,474,371	10,474,371	10,474,371	-
Fund Balance - End of year	\$ 6,990,835	\$ 1,682,776	\$ 7,246,781	\$ 5,564,005

City of Flint, Michigan

Local Streets Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget			Variance With
	Original	Amended	Actual	Amended Budget
Revenue				
Federal revenue	\$ -	\$ 400,000	\$ 400,000	\$ -
State revenue	2,426,816	2,426,816	2,485,492	58,676
Interest	50,544	50,544	155,441	104,897
Other	50,000	50,000	107,435	57,435
Total revenue	2,527,360	2,927,360	3,148,368	221,008
Expenditures				
Transportation	3,151,140	4,238,493	3,569,351	669,142
Excess of Revenue Over (Under) Expenditures	(623,780)	(1,311,133)	(420,983)	890,150
Other Financing Sources				
Transfers in	-	400,000	400,000	-
Net Change in Fund Balances	(623,780)	(911,133)	(20,983)	890,150
Fund Balance - Beginning of year	3,769,605	3,769,605	3,769,605	-
Fund Balance - End of year	\$ 3,145,825	\$ 2,858,472	\$ 3,748,622	\$ 890,150

City of Flint, Michigan

Federal Grants Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Federal revenue	\$ -	\$ 10,157,263	\$ 9,731,719	\$ (425,544)
State revenue	-	306,000	-	(306,000)
Local revenue	-	114,056	104,747	(9,309)
Charges for services	-	-	26,000	26,000
Interest	-	-	279,048	279,048
Other	-	-	4,660	4,660
Total revenue	-	10,577,319	10,146,174	(431,145)
Expenditures				
Community enrichment	-	10,737,649	10,370,516	367,133
Total expenditures	-	10,737,649	10,370,516	367,133
Net change in fund balances	-	(160,330)	(224,342)	(64,012)
Fund balance - Beginning of year	1,041,087	1,041,087	1,041,087	-
Fund balance - End of year	\$ 1,041,087	\$ 880,757	\$ 816,745	\$ (64,012)

City of Flint, Michigan

Neighborhood Policing Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Property taxes	\$ 3,379,916	\$ 3,379,916	\$ 3,270,368	\$ (109,548)
Interest	26,000	26,000	23,682	(2,318)
Other	-	-	271,623	271,623
Total revenue	3,405,916	3,405,916	3,565,673	159,757
Expenditures				
Police	3,486,342	3,486,997	3,568,972	(81,975)
Excess of Revenue Over (Under) Expenditures	(80,426)	(81,081)	(3,299)	77,782
Other Financing Sources				
Transfers in	80,426	80,426	-	(80,426)
Net Change in Fund Balances	-	(655)	(3,299)	(2,644)
Fund Balance - Beginning of year	3,299	3,299	3,299	-
Fund Balance - End of year	\$ 3,299	\$ 2,644	\$ - 0 -	\$ (2,644)

City of Flint, Michigan

State Act 25 I - Forfeitures Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Fines and forfeits	\$ 175,000	\$ 175,000	\$ 269,537	\$ 94,537
Charges for services	85,000	85,000	72,675	(12,325)
Interest	15,752	15,752	55,721	39,969
Other	-	-	51,564	51,564
Total revenue	275,752	275,752	449,497	173,745
Expenditures				
Police	327,752	520,286	309,418	210,868
Net Change in Fund Balances	(52,000)	(244,534)	140,079	384,613
Fund Balance - Beginning of year	263,218	263,218	263,218	-
Fund Balance - End of year	\$ 211,218	\$ 18,684	\$ 403,297	\$ 384,613

City of Flint, Michigan

EDA Revolving Loan Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Principal payments	\$ 787,000	\$ 916,397	\$ 199,114	\$ (717,283)
Interest	63,000	63,000	49,295	(13,705)
Total revenue	850,000	979,397	248,409	(730,988)
Expenditures				
Community development and enrichment	850,000	979,397	261,533	717,864
Net Change in Fund Balances	-	-	(13,124)	(13,124)
Fund Balance - Beginning of year	880,513	880,513	880,513	-
Fund Balance - End of year	\$ 880,513	\$ 880,513	\$ 867,389	\$ (13,124)

City of Flint, Michigan

Local Law Enforcement Grant Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Federal revenue	\$ -	\$ 11,800	\$ 52,882	\$ 41,082
Interest	-	-	11,800	11,800
Total revenue	-	11,800	64,682	52,882
Expenditures				
Police	82,888	94,688	64,682	30,006
Net Change in Fund Balances	(82,888)	(82,888)	-	(82,888)
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ (82,888)	\$ (82,888)	\$ - 0 -	\$ (82,888)

City of Flint, Michigan

Parks & Recreation Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Property taxes	\$ 844,979	\$ 844,979	\$ 817,309	\$ (27,670)
Federal revenue	-	100,000	-	(100,000)
Interest	5,500	5,500	51,715	46,215
Total revenue	850,479	950,479	869,024	(81,455)
Expenditures				
Parks and recreation	1,739,083	2,038,778	1,658,779	379,999
Net Change in Fund Balances	(888,604)	(1,088,299)	(789,755)	298,544
Fund Balance - Beginning of year	1,302,751	1,302,751	1,302,751	-
Fund Balance - End of year	\$ 414,147	\$ 214,452	\$ 512,996	\$ 298,544

City of Flint, Michigan

Senior Citizen Center Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Local revenue	\$ -	\$ 3,936	\$ 65,195	\$ 61,259
Expenditures				
Parks and recreation	-	3,936	65,195	(61,259)
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

City of Flint, Michigan

Building Department Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Federal revenue	\$ 625,000	\$ 1,738,230	\$ 1,502,934	\$ (235,296)
Licenses and fees	1,967,000	1,967,000	1,027,816	(939,184)
Fines and forfeitures	-	-	112,456	112,456
Charges for Services	410,000	491,650	326,832	(164,818)
Interest	10	10	-	(10)
Other	-	-	15,900	15,900
Total revenue	3,002,010	4,196,890	2,985,938	(1,210,952)
Expenditures				
Building inspection	2,296,852	4,772,180	3,943,583	828,597
Debt service	-	-	56,594	(56,594)
Total expenditures	2,296,852	4,772,180	4,000,177	772,003
Excess of Revenue Over (Under) Expenditures	705,158	(575,290)	(1,014,239)	(438,949)
Other Financing Sources				
Transfers in	229,842	479,842	906,256	426,414
Net Change in Fund Balances	935,000	(95,448)	(107,983)	(12,535)
Fund Balance - Beginning of year	107,983	107,983	107,983	-
Fund Balance - End of year	\$ 1,042,983	\$ 12,535	\$ - 0 -	\$ (12,535)

City of Flint, Michigan

Garbage Collection Special Revenue Fund Budgetary Comparison Schedule Year Ended June 30, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
Revenue				
Federal revenue	\$ -	\$ 50,000	\$ 50,000	\$ -
Property taxes	5,069,875	5,069,875	4,897,431	(172,444)
Licenses and fees	5,000	5,000	5,600	600
Charges for services	20,000	20,000	-	(20,000)
Interest	16,453	16,453	56,532	40,079
Other	-	-	944	944
Total revenue	5,111,328	5,161,328	5,010,507	(150,821)
Expenditures				
Public works	5,182,666	5,435,692	4,995,221	440,471
Excess of Revenue Over (Under) Expenditures	(71,338)	(274,364)	15,286	289,650
Other Financing Sources				
Transfers in	71,338	271,338	-	(271,338)
Net Change in Fund Balances	-	(3,026)	15,286	18,312
Fund Balance - Beginning of year	336	336	336	-
Fund Balance - End of year	\$ 336	\$ (2,690)	\$ 15,622	\$ 18,312

City of Flint, Michigan

Internal Service Funds Combining Statement of Net Assets June 30, 2007

	Data Processing	Fringe Benefits	Central Maintenance Garage
Assets			
Current assets:			
Pooled cash and investments	\$ -	\$ 1,401,564	\$ -
Cash and cash equivalents	-	191,605	100
Receivables (net of allowance for estimated uncollectible amounts of \$51,747)	-	3,493	7,348
Note receivable - current portion	-	130,000	-
Due from other funds	-	-	-
Inventories	-	-	204,391
Prepaid costs	-	221,173	-
Total current assets	-	1,947,835	211,839
Noncurrent assets:			
Note receivable - long term	-	650,000	-
Capital assets, net	778,458	-	8,032,275
Total noncurrent assets	778,458	650,000	8,032,275
Total assets	778,458	2,597,835	8,244,114

Self- Insurance	Total
\$ 3,077,827	\$ 4,479,391
-	191,705
17,058	27,899
-	130,000
15,700,000	15,700,000
-	204,391
130,650	351,823
18,925,535	21,085,209
-	650,000
-	8,810,733
-	9,460,733
18,925,535	30,545,942

City of Flint, Michigan

Internal Service Funds

Combining Statement of Net Assets (continued)

June 30, 2007

	Data Processing	Fringe Benefits	Central Maintenance Garage
Liabilities			
Current liabilities:			
Accounts payable	11,585	500,188	81,653
Accrued salaries and wages	108,053	2,097,647	41,726
Other accrued liabilities	-	-	-
Claims payable - current	-	-	-
Due to other funds	658,820	-	314,809
Advances from other funds - current portion	-	-	1,010,987
Total current liabilities	778,458	2,597,835	1,449,175
Noncurrent liabilities:			
Advances from other funds	-	-	4,513,578
Provision for claims	-	-	-
Total noncurrent liabilities	-	-	4,513,578
Total liabilities	778,458	2,597,835	5,962,753
Net Assets			
Invested in capital assets, net of related debt	778,458	-	2,507,710
Unrestricted (deficit)	(778,458)	-	(226,349)
Total net assets	\$ - 0 -	\$ - 0 -	\$ 2,281,361

Self- Insurance	Totals
183,114	776,540
22,338	2,269,764
20,083	20,083
9,300,000	9,300,000
-	973,629
-	1,010,987
9,525,535	14,351,003
-	4,513,578
9,400,000	9,400,000
9,400,000	13,913,578
18,925,535	28,264,581
-	3,286,168
-	(1,004,807)
\$ - 0 -	\$ 2,281,361

City of Flint, Michigan

Internal Service Funds Combining Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Data Processing	Fringe Benefits	Central Maintenance Garage
Operating Revenue			
Charges for services	\$ 1,895,953	\$ 24,559,114	\$ 3,753,873
Costs of Materials or Services Rendered	-	23,157,171	-
Operating Expenses			
Salaries, wages, and fringe benefits	1,424,058	668,389	1,124,834
Repair and maintenance	188,547	-	334,099
Supplies	32,091	10,754	1,525,796
Insurance	-	-	-
Depreciation	221,533	-	1,601,776
Professional services	271,707	738,862	335,921
Claims and settlements	-	-	-
Miscellaneous	8,421	1,774	18,215
Total operating expenses	2,146,357	1,419,779	4,940,641
Total materials, services, and operating expenses	2,146,357	24,576,950	4,940,641
Operating Loss	(250,404)	(17,836)	(1,186,768)
Nonoperating Revenue (Expenses)			
Investment income	-	-	40,699
Interest expense	(2,201)	-	(238,319)
Miscellaneous revenue	-	-	40,650
Loss - Before contributions	(252,605)	(17,836)	(1,343,738)
Capital contributions	-	-	1,039,312
Change in Net Assets	(252,605)	(17,836)	(304,426)
Net Assets - Beginning of year	252,605	17,836	2,585,787
Net Assets - End of year	\$ - 0 -	\$ - 0 -	\$ 2,281,361

Self- Insurance	Totals
\$ 17,515,192	\$ 47,724,132
-	23,157,171
188,044	3,405,325
30,431	553,077
4,372	1,573,013
447,928	447,928
-	1,823,309
1,064,504	2,410,994
15,974,925	15,974,925
4,597	33,007
17,714,801	26,221,578
17,714,801	49,378,749
(199,609)	(1,654,617)
199,609	240,308
-	(240,520)
-	40,650
-	(1,614,179)
-	1,039,312
-	(574,867)
-	2,856,228
\$ - 0 -	\$ 2,281,361

City of Flint, Michigan

Internal Service Funds Combining Statement of Cash Flows Year Ended June 30, 2007

	Data Processing	Fringe Benefits
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,895,953	\$ 24,561,864
Payments to vendors	(507,463)	(395,971)
Payments to and on behalf of employees	(1,431,404)	(24,157,850)
Net cash provided by (used in) operating activities	(42,914)	8,043
Cash Flows from Noncapital Financing Activities		
Payments received on long term note receivable	-	130,000
Interest payments on pooled cash advances	(2,201)	-
Pooled cash advances from other funds	163,704	-
Net cash provided by noncapital financing activities:	161,503	130,000
Cash Flows from Capital and Related Financing Activities		
Capital contributions	-	-
Purchase of capital assets	(118,589)	-
Proceeds from sale of capital assets	-	-
Repayment on long term advances	-	-
Interest payments on long term advances	-	-
Net cash used in capital and related financing activities	(118,589)	-
Cash Flows from Investing Activities		
Interest received	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	138,043
Cash and Cash Equivalents - Beginning of year	-	1,455,126
Cash and Cash Equivalents - End of year	\$ - 0 -	\$ 1,593,169
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	(250,404)	(17,836)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	221,533	-
Change in assets and liabilities:		
Accounts receivable	-	2,750
Due from other funds	-	-
Inventory	-	-
Prepaid items	-	(199,622)
Accounts payable	(6,697)	(49,667)
Accrued liabilities	(7,346)	272,418
Net cash provided by (used in) operating activities	\$ (42,914)	\$ 8,043

Non cash transactions:

During 2007 the central garage purchased capital assets through an advance from the sewer fund with a cost of \$1,646,635

Central Maintenance Garage	Self- Insurance	Totals
\$ 3,749,262	\$ 1,803,578	\$ 32,010,657
(2,454,737)	(2,351,305)	(5,709,476)
(1,121,114)	(196,509)	(26,906,877)
173,411	(744,236)	(605,696)
-	-	130,000
-	-	(2,201)
314,809	-	478,513
314,809	-	606,312
1,039,312	-	1,039,312
(2,588,016)	-	(2,706,605)
40,650	-	40,650
(661,474)	-	(661,474)
(238,319)	-	(238,319)
(2,407,847)	-	(2,526,436)
40,699	199,609	240,308
(1,878,928)	(544,627)	(2,285,512)
1,879,028	3,622,454	6,956,608
\$ 100	\$ 3,077,827	\$ 4,671,096
(1,186,768)	(199,609)	(1,654,617)
1,601,776	-	1,823,309
(4,611)	(11,614)	(13,475)
-	(15,700,000)	(15,700,000)
(26,422)	-	(26,422)
-	-	(199,622)
(214,284)	15,175,452	14,904,804
3,720	(8,465)	260,327
\$ 173,411	\$ (744,236)	\$ (605,696)

City of Flint, Michigan

Combining Statement of Net Assets Pension and Benefit Trust Funds June 30, 2007

	Pension and Benefit Trust Funds		
	Flint Employee's Retirement System	Excess Pension Benefit	Death Benefit
Assets			
Cash and cash equivalents	\$ 22,841,798	\$ -	\$ 20,051
Investments:			
U.S. government obligations	97,222,107	-	-
Corporate bonds	148,160,730	-	-
Partnerships	42,278,544	-	-
Corporate stocks	450,182,777	-	1,142,311
Foreign stocks	62,471,560	-	-
Asset backed securities	7,586,013	-	-
Receivables:			
Accrued interest	1,596,375	-	-
Other	415	-	1,087
Prepaid costs	-	-	-
Cash and securities held as collateral for securities lending	125,209,031	-	-
Total assets	957,549,350	-	1,163,449
Liabilities			
Accounts payable	772,000	-	11,000
Due to other funds	62,962	-	-
Obligations under securities lending agreement	125,209,031	-	-
Total liabilities	126,043,993	-	11,000
Net Assets			
Held in trust for pension benefits and other employee benefits	\$ 831,505,357	\$ - 0 -	\$ 1,152,449

Pension and Benefit Trust Funds

Retiree Health Care	Health Benefits Plan and Trust	Totals
\$ -	\$ 128,702	\$ 22,990,551
-	671,656	97,893,763
-	-	148,160,730
-	-	42,278,544
-	1,516,817	452,841,905
-	-	62,471,560
-	-	7,586,013
-	-	1,596,375
-	12,753	14,255
249,565	-	249,565
-	-	125,209,031
249,565	2,329,928	961,292,292
3,262	-	786,262
246,303	-	309,265
-	-	125,209,031
249,565	-	126,304,558
\$ - 0 -	\$ 2,329,928	\$ 834,987,734

City of Flint, Michigan

Combining Statement of Changes in Fiduciary Net Assets Pension and Benefit Trust Funds Year Ended June 30, 2007

	Pension and Benefit Trust Funds	
	Flint Employee's Retirement System	Excess Pension Benefit
Additions		
Investment income:		
Interest	\$ 8,453,562	\$ -
Dividends	4,090,110	-
Other income	616,781	-
Net increase in fair value of investments	91,233,740	-
Less investment expense	(3,667,932)	-
Net investment income	100,726,261	-
Contributions:		
Employer	8,259,933	39,782
Employee	3,520,935	-
Total additions	11,780,868	39,782
Securities lending income:		
Interest and fees	6,215,882	-
Less borrower rebates and bank fees	(6,047,996)	-
Net securities lending income	167,886	-
Total additions	112,675,015	39,782
Deductions		
Benefit payments	64,968,010	39,782
Refunds of contributions	845,817	-
Administrative expenses	36,213	-
Total deductions	65,850,040	39,782
Net Increase in Net Assets Held	46,824,975	-
Net Assets Held in Trust for Pension Benefits and Other Employee Benefits		
Beginning of year	784,680,382	-
End of year	<u>\$ 831,505,357</u>	<u>\$ - 0 -</u>

Pension and Benefit Trust Funds

Death Benefit	Retiree Health Care	Health Benefits Plan and Trust	Totals
\$ -	\$ -	\$ -	\$ 8,453,562
18,850	-	28,288	4,137,248
-	-	-	616,781
72,706	-	574,590	91,881,036
-	-	-	(3,667,932)
91,556	-	602,878	101,420,695
-	18,327,532	-	26,627,247
24,245	399,026	300,432	4,244,638
24,245	18,726,558	300,432	30,871,885
-	-	-	6,215,882
-	-	-	(6,047,996)
-	-	-	167,886
115,801	18,726,558	903,310	132,460,466
84,500	18,573,929	-	83,666,221
-	-	-	845,817
299	152,629	-	189,141
84,799	18,726,558	-	84,701,179
31,002	-	903,310	47,759,287
1,121,447	-	1,426,618	787,228,447
\$ 1,152,449	\$ - 0 -	\$ 2,329,928	\$ 834,987,734

City of Flint, Michigan

Statement of Assets and Liabilities

Agency Funds

June 30, 2007

	Miscellaneous Agency	County Revolving Loan	Totals
Assets			
Pooled cash and investments	\$ 2,297,833	\$ -	\$ 2,297,833
Cash and cash equivalents	1,120,908	491,268	1,612,176
Receivables:			
Taxes	6,937,178	-	6,937,178
Loans	-	63,471	63,471
Total assets	\$ 10,355,919	\$ 554,739	\$ 10,910,658
Liabilities			
Accounts payable	\$ 865,124	\$ 5,641	\$ 870,765
Deposits and advances	627,833	-	627,833
Due to other governmental units	8,797,843	545,794	9,343,637
Due to component units	65,119	-	65,119
Due to other funds	-	3,304	3,304
Total liabilities	\$ 10,355,919	\$ 554,739	\$ 10,910,658

City of Flint, Michigan

Schedule of Changes in Assets and Liabilities - Agency Fund Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Miscellaneous Agency</u>				
Assets				
Pooled cash and investments	\$ 2,107,373	\$ 138,389,248	\$ 138,198,788	\$ 2,297,833
Cash and cash equivalents	504,384	620,910	4,386	1,120,908
Taxes receivable	5,478,885	117,673,182	116,214,889	6,937,178
Due from component unit	7,108	-	7,108	-
Total assets	\$ 8,097,750	\$ 256,683,340	\$ 254,425,171	\$ 10,355,919
Liabilities				
Accounts payable	\$ 572,622	\$ 56,360,535	\$ 56,068,033	\$ 865,124
Deposits and advances	466,473	623,054	461,694	627,833
Due to other governments	6,936,876	72,978,502	71,117,535	8,797,843
Due to component unit	102,886	130,240	168,007	65,119
Due to other funds	18,893	33,269,094	33,287,987	-
Total liabilities	\$ 8,097,750	\$ 163,361,425	\$ 161,103,256	\$ 10,355,919
<u>County Revolving Loan Fund</u>				
Assets				
Pooled cash and investments	\$ -	\$ 313,939	\$ 313,939	\$ -
Cash and cash equivalents	393,608	403,804	306,144	491,268
Loan receivable	345,797	4,754	287,080	63,471
Total assets	\$ 739,405	\$ 722,497	\$ 907,163	\$ 554,739
Liabilities				
Accounts payable	\$ 5,515	\$ 29,689	\$ 29,563	\$ 5,641
Due to other governments	733,890	13,256	201,352	545,794
Due to other funds	-	3,304	-	3,304
Total liabilities	\$ 739,405	\$ 46,249	\$ 230,915	\$ 554,739

December 27, 2007

To Honorable Mayor and Members of City Council
City of Flint
101 South Saginaw
Flint, MI 48502

Dear Honorable Mayor and Members of City Council:

In planning and performing our audit of the financial statements of the City of Flint as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- Lack of segregation of duties at golf courses

Due to the size of the staff at the golf courses there was a lack of segregation of duties during 2007 and prior years. The supervisor for each course receipts cash, prepares the receipt and deposit forms, and determines the account coding assigned to receipts. The course supervisor has control over both the un-deposited cash and the financial records related to those cash receipts prior to the deposit of the receipts with Treasury. Under these circumstances, the possibility of a error being made in the accounting records and not being discovered on a timely basis exists.

We wish to make it absolutely clear that we are not suggesting that the golf supervisor is making errors of any nature. What we are saying is that due to the lack of segregation of duties, there is an inherent limitation in the golf courses' system of internal accounting control, and we are required to disclose this to you. The ideal situation would allow the City to segregate the recordkeeping duties from the cash handling duties. However, this could require that the city hire additional staff to separate these duties.

- Updating of capital asset records

The City does not have a process in place to identify and remove infrastructure (roads and sidewalks) from the capital assets schedule when new construction replaces existing streets. We suggest that such a process be developed and implemented to ensure that capital asset records are accurate.

- Recording of Water fund payable

While performing the audit, it was noted that water purchases that related to May and June of the 2007 had not been accrued as a payable and a current year expense. We suggest that a process be implemented to ensure that all amounts owed as of year end are accrued as expense and liabilities on the general ledger. These types of errors could be discovered by comparing budget to actual for the current year or comparing current year costs to prior years costs as part of the year-end closing procedures.

- Estimation of uncollectible receivables

The City recognizes certain revenues when a receivable is recorded (water and sewer charges, income tax assessments, etc.). Accounting standards require that accrual revenues be reduced annually by an estimate of the receivables that will not be collected. The finance department estimates the uncollectible annually and properly records the estimated losses. During the current year, the City did not properly account for the aging of income tax assessments receivable when estimating the amount that would be uncollectible. We suggest that the aging of the receivables be monitored and taken into consideration when recording the correct uncollectible amount.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies described below constitute material weaknesses.

- The lack of segregation of duties at the golf course and the recording of water fund payable.

To Honorable Mayor and
Members of City Council
City of Flint

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December 27, 2007

This communication is intended solely for the information and use of City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, reading "Peggy Haw Jury". The signature is written in a cursive, flowing style.

Peggy Haw Jury, CPA, CFE